

FUND PROFILE²:

- Strategy: Pan-Asia deep fundamental long-short
- Fund launch date: 28th April'17
- Firm background: spinoff from Tybourn Capital Management
- Base currency: USD
- Management fee: 1.5%
- Performance fees: 15%
- Initial Commitment: 1 year
- Redemption frequency: quarterly
- Hard lock: none

KEY STATISTICS²:

- ITD return: +111.2%
- Benchmark: MSCI AsiaPac incl Japan MXAS ITD return 39.9%
- ITD alpha: +71.3%
- ITD return CAGR: 21.0%
- Sharpe ratio: 1.55
- Sortino ratio: 3.91
- Downside volatility: 5.3%

MANAGER PROFILE:

- Investment team led by Amar Anand. 20 years of investment/research experience. Most recently MD/ Sector head at Tybourn Capital (2012-17)
- Licenses held:
 - Type 9 license with HK SFC
 - RIA license with US SEC
 - FPI license with India SEBI
- Prime Brokers: Goldman Sachs (SMA), Edelweiss Capital

Dear Auroville Investor,

Happy to report that your **pan-Asia fund had a good 1Q 2021 returning +3.57%** which handsomely outperformed our benchmark MSCI AsiaPac including Japan (MXAS) index in which was up 1.85%, representing **an alpha generation of +1.72%**. Outperformance was driven by India which as we wrote in our Nov'20 letter, *"India remains one of our favorite destinations in EM given the high sensitivity to weak USD (India's FX reserves touched a record high of \$757bn) and Crude."* Your **India fund performance was once again strong in 1Q21 with a ROIC of +7.13%** versus India's Nifty 50 return of 4.91% representing **alpha generation of +2.22%**. This takes our **ITD return to +111.2% for our Pan-Asia fund (since May'17) and +173.3% (since Jan'19) for our India long-short strategy².**

As we look back and reflect on the market's playbook in 1Q21, it is probably not unfair to say that it played out pretty much how we said it would. Please refer to our Nov'20 letter (www.auroim.com) where we had written in the Outlook section: *"More tactically, we still think that there is a risk that this massive market rally sees a correction sometime in 1Q21. Gold, the best-performing asset class YTD has already started seeing large outflows (\$2.5bn per week) with Cash outflows 3x that of Gold (\$7.5bn per week). A few of the closely monitored Bull-Bear indicators have started flashing 'Sell' (i.e. Cash levels down to 4.1%, high Breadth, EM inflow past four weeks >1.5% AUM and Global equities + HY inflows 0.9% of AUM over past four weeks). However, we see any significant market correction as a buying opportunity as fundamentals are now improving and central banks led by the Fed are still standing by to cap any systemic pressures and/or disruptive rise in bond yields."*

Jan'21 saw nominal 10-year US Treasury yields soar by 50 bps (2.6 standard deviation move) driven by a 40 bps jump in real yields versus inflation driving the bus on back of nominal rates prior. Conceptually, and historically, equities digest rising inflation expectations more easily than rising real yields which lead to a re-pricing of asset prices (DCF's have a tangible impact on valuations). Global stock markets ended February deep in the red, as fears of higher inflation prompted a sell-off in government bonds and spread anxiety across financial markets. Nasdaq technology index suffered the heaviest sell-off since October falling over -10% from its peak in mid Feb'21 to 8 Mar'21. China A/offshore lost 7.6%/9.3% in a week in Feb'21. India's Nifty declined the most since May'20, down -7.5% in end Jan'21. Japan's Nikkei was also down over 3% in end Jan'21. However, all these large declines presented attractive buying opportunities as we had forecasted last year, which drove our out-performance in 1Q21. Given our view though, that we were likely to see a correction before the rebound, we were quite defensively positioned since the beginning of the year, which helped us withstand the intra quarter market drawdowns and allowed us to have enough dry powder to buy the dip.

We continue to see economic growth strongly rebounding this year. We forecast earnings growth of 35% globally in 2021 with double digit profit growth likely continuing into 2022 which is unprecedented as it hasn't happened in a while. The rebound in equity markets since the Covid-19 induced trough last year, has been much stronger than average recoveries. The Bull case for markets from here is premised on accelerating economic/earnings growth, real yields continuing to be negative (with 10-12% of global Corporate bonds now yielding negative, Return-free risk is no longer confined to Govies!), savings rate at all-time highs and abundant liquidity (\$4Tr in money markets) with more stimulus to come. Bear case is premised on record high valuations (market capitalization of global equities has reached a record 130% of global GDP), sharp rise in stock prices of unprofitable companies, building margin pressure for companies, and sharp rise in prices of assets like cryptos as investors looked for assets that central banks can't print.

India Gate Capital:

Our India portfolio carve-out has compounded at a gross annual return of **+56.3%** since January 2019 to March 2021, after getting approval for an onshore FPI license in late 2018 which allowed us to start shorting single stock positions in India. Monthly return series are shown below:

India Attribution from pan-Asia long-short fund - Returns, ROIC & Alpha

	% Mtd P/L			ROIC			Nifty Return	Alpha		
	Long	Short	Grand Total	Long	Short	Grand Total		Long	Short	Grand Total
JAN'19	-0.6%	0.4%	-0.2%	-3.7%	5.3%	1.6%	-0.3%	-3.4%	5.0%	1.9%
FEB'19	0.3%	0.5%	0.9%	2.2%	7.5%	9.6%	-0.4%	2.5%	7.1%	10.0%
MAR'19	1.1%	0.2%	1.3%	7.0%	2.7%	9.7%	7.7%	-0.7%	10.4%	2.0%
APR'19	0.0%	0.1%	0.1%	-0.2%	1.9%	1.7%	1.1%	-1.3%	3.0%	0.7%
MAY'19	0.3%	0.0%	0.3%	1.8%	0.4%	2.2%	1.5%	0.3%	1.9%	0.7%
JUN'19	-0.1%	0.0%	-0.1%	-0.7%	0.0%	-0.7%	-1.1%	0.4%	-1.1%	0.4%
JUL'19	-0.4%	0.0%	-0.4%	-2.5%	0.1%	-2.4%	-5.7%	3.2%	-5.6%	3.3%
AUG'19	-0.6%	0.4%	-0.2%	-3.9%	5.3%	1.5%	-0.9%	-3.0%	4.5%	2.3%
SEP'19	1.3%	0.0%	1.3%	7.9%	-0.5%	7.4%	4.1%	3.8%	3.6%	3.3%
OCT'19	0.4%	0.3%	0.7%	2.1%	3.9%	6.0%	3.5%	-1.4%	7.4%	2.5%
NOV'19	2.0%	-0.3%	1.7%	9.9%	-3.2%	6.7%	1.5%	8.4%	-1.7%	5.2%
DEC'19	0.7%	0.4%	1.1%	3.3%	3.7%	6.9%	0.9%	2.3%	4.6%	6.0%
JAN'20	1.9%	-0.3%	1.7%	3.4%	-0.5%	2.9%	-1.7%	5.1%	-2.2%	4.6%
FEB'20	-0.4%	0.1%	-0.3%	-0.4%	0.1%	-0.3%	-6.4%	6.0%	-6.3%	6.0%
MAR'20	-13.9%	0.6%	-13.3%	-13.9%	0.6%	-13.3%	-23.2%	9.3%	-22.6%	9.9%
APR'20	2.1%	0.0%	2.1%	9.6%	0.9%	10.5%	14.7%	-5.1%	15.5%	-4.2%
MAY'20	-1.7%	1.1%	-0.6%	-4.3%	9.4%	5.1%	-0.3%	-3.9%	9.1%	5.5%
JUN'20	1.4%	0.1%	1.5%	3.0%	0.7%	3.7%	4.8%	-1.8%	5.5%	-1.1%
JUL'20	3.2%	-1.1%	2.1%	5.6%	-1.9%	3.7%	8.4%	-2.7%	6.5%	-4.7%
AUG'20	5.6%	-0.9%	4.7%	12.3%	-1.9%	10.4%	5.0%	7.3%	3.1%	5.4%
SEP'20	0.6%	0.2%	0.7%	1.6%	0.5%	2.1%	-1.5%	3.1%	-1.1%	3.6%
OCT'20	1.0%	-0.3%	0.7%	1.1%	-0.4%	0.7%	2.1%	-1.0%	1.8%	-1.4%
NOV'20	12.0%	-0.2%	11.8%	12.9%	-0.2%	12.7%	12.3%	0.6%	12.1%	0.4%
Dec'20	10.1%	-0.5%	9.7%	11.1%	-0.5%	10.6%	6.8%	4.3%	6.3%	3.8%
Jan'21	3.0%	-0.2%	2.9%	6.0%	-0.2%	5.9%	-2.3%	8.3%	-2.4%	8.1%
Feb'21	0.6%	0.2%	0.8%	1.2%	0.3%	1.5%	5.1%	-4.0%	5.4%	-3.7%
Mar'21	-0.2%	0.1%	-0.1%	-0.4%	0.2%	-0.2%	2.1%	-2.5%	2.3%	-2.4%
Total return				94.6%	39.0%	173.3%				
CAGR						56.3%				

Returns above are net of transaction costs but gross of operating expenses, tax and management/ incentive fees

Returns above are for 'unrestricted' share class i.e. include the profit and loss allocations from IPOs on first trading day

#s are provisional from our OMS and make some assumptions on day/month-end delta exposures (and associated margin for F&O) to calculate ROIC so are directional
For Feb-Mar'20, we had freed up the commingled fund to launch India Gate Capital, our dedicated LS India fund. However, due to onset of Covid-19, we postponed the launch and reverted back to Asia LS in Apr'20

We obtained our onshore India FPI license to be able to run a long-short strategy in India in late 2018, so returns are presented from Jan'19 onwards

Shorting in India so far is primarily on F&O (though single stock borrow pools growing), and so benefit from leverage and have high ROIC given only margin in IC

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With the Fed now strengthening their assessment of the US economy and signalling that risks have diminished while leaving policy interest rate near zero and maintaining a \$120 billion monthly pace of asset purchases, markets remain supported by monetary policy and Biden's \$1.9 trillion stimulus plan adds a massive fiscal kicker as well. However, other key central banks are more sanguine. China's top banking regulator said it was "very worried" about "emerging bubbles in global financial markets and the nation's property sector. Bubbles in US and European markets could burst because their rallies are heading in the opposite direction of their underlying economies and will have to face corrections sooner or later," (Guo Shuging, Chairman of China's Banking and Insurance Regulatory commission). But much of the concern around inflated valuations is justified by record-low interest rates and the relative de-rating of equities over the past 20 years. This is reflected in the one major valuation in equities that does not look stretched: the equity risk premium, a version of the bond/equity yield gap, which remains high in most cases even relative to the low interest rate and inflation environment post 2000.

Our own view is that we are moving into the peak of growth momentum in 2Q21. While we remain cautious about inflationary pressures building up with all the money printing and have repositioned our own business model with the launch of Auro Rabbit last year, our neural network based Crypto strategy, we think that fears regarding another big spike in real yields leading to an equity rout are likely overdone in the short run though a real concern in the medium to long run. Historically, when growth starts to decelerate from its peak, albeit still at a high rate, market returns tend to slow and style and factor trends become more sporadic. Therefore, we have adopted a more defensive approach reversing our earlier sector tilts which had moved towards cyclicals and commodities into more resilient areas like healthcare and consumer. Tech remains an important component of our portfolio with new themes like Renewables & Digitization becoming more prominent. ESG has become an important focus for us and we have developed our own proprietary framework where we accord an ESG score to all companies in our investment universe.

We continue to remain big believers in the China market, especially as it's recovered much faster from Covid. We are seeing a big trend towards development of new consumer products in China; in the past Chinese would import from abroad but now increasingly looking at younger consumers increasingly looking for home-made brands with their own culture and style embedded into it. So, another emerging investment theme in our portfolio is local brands that can capture this opportunity.

We have become more sanguine about India in the short run as it goes through a Covid tsunami (3.5x increase in number of cases over the previous peak) and we think its still going to get worse before it gets better (Uttar Pradesh, India's most populous state with ~200m people has seen a 7x increase in new cases, which we fear could be the new pain point going forward) with many large metros under complete lockdown. This once again makes for a happy hunting ground for our long-short strategy. For example, NBFCs, weaker PSU banks, and smaller private sector banks that cater to more vulnerable segments like SMEs, CVs, etc, present great shorting opportunities as we've seen collection levels have already dropped and cheque bounce rates have increased. Meanwhile, the larger banks (HDFCB, ICICI and Axis) present great long opportunities to buy the dip as they are more resilient, able to absorb shocks, and raise capital if required.

We continue to like Japan as it still has lot of companies that are under-valued and under managed. Seeing more instances of activism even on listed companies. New investment themes include the Data Centre opportunity which is still under-penetrated, quality cyclicals, IT capex, and Shareholder return.

Overall, our target market of Asia including Japan should benefit from a strong synchronized global recovery. It only saw a mild downturn in earnings of -2% in 2020, and we are expecting 25% growth in FY21 followed by a 15% growth in 2022. Level of earnings will be comfortably above 2019 at the end of 2021. Push back of course is Valuations (PE/PB multiples are at the very high end of the range over last 20 years), however as we discussed earlier, relative to where interest rates are at, they are once again reasonable. We expect it to be a good year for global equities with market benchmarks likely appreciating 10-15% with Asia being the best performing region, given the global macro recovery and reflationary backdrop.

Sincerely,

Amar Singh Anand

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India Fund Fee Terms – 1.5% and 15%



India Gate Capital

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Class - All US\$	
Absolute Return (Long-Short)	
Capacity	\$1 billion
Fees	
Management fee	1.5%
Performance fee	15% (on absolute return)
Subscription	
Subscription Frequency	Monthly
Minimum Investment	\$1MM
Minimum Subsequent Investment	\$500k
Initial commitment period (soft lock)	1 Year
Redemption	
Redemption Frequency	Quarterly
Redemption Notice Period	60 days
Redemption Fees*	2%

Other Terms: 250% of MHWM @ HWM reset at 50% of incentive fees

* Red penalty on remaining commitment (annual)

1. For tax efficiency of LP investments, Auroville Investment Management offers both a US and non-US feeder fund with multiple share classes. The Fund Terms referenced above are for the Class AO Shares.

Performance Overview: Inception-to-date Pan Asia Strategy (May 1, 2017 – Mar 31, 2021)

Performance Overview: Inception-to-date Pan Asia Strategy (May 1, 2017 – Mar 31, 2021)

	Return since Inception	CAGR since Inception	Sharpe Ratio	Sortino Ratio
AIM - Pan Asia	111.2%	21.0%	1.55	3.91
MSCI Asia incl Japan (MXAS)	39.9%	9.0%		
ITD Alpha (%)	71.3%	12.1%		

Monthly Performance (%)

	May'17	June'17	July'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	YTD (May-Dec)
MTD Return	-0.40%	3.21%	4.13%	-0.45%	3.53%	2.04%	8.67%	2.71%	25.59%
YTD Return	-0.40%	2.80%	7.04%	6.56%	10.32%	12.58%	22.34%	25.66%	
ITD Return	-0.40%	2.80%	7.04%	6.56%	10.32%	12.58%	22.34%	25.66%	
MSCI Asia incl Japan (MXAS)	3.58%	1.04%	3.64%	0.55%	0.39%	4.65%	1.62%	1.67%	
Monthly Alpha	-3.98%	2.17%	0.50%	-1.00%	3.14%	-2.61%	7.05%	1.04%	
Monthly Cumulative Alpha		-1.9%	-1.4%	-2.4%	0.7%	-2.0%	5.0%	6.1%	

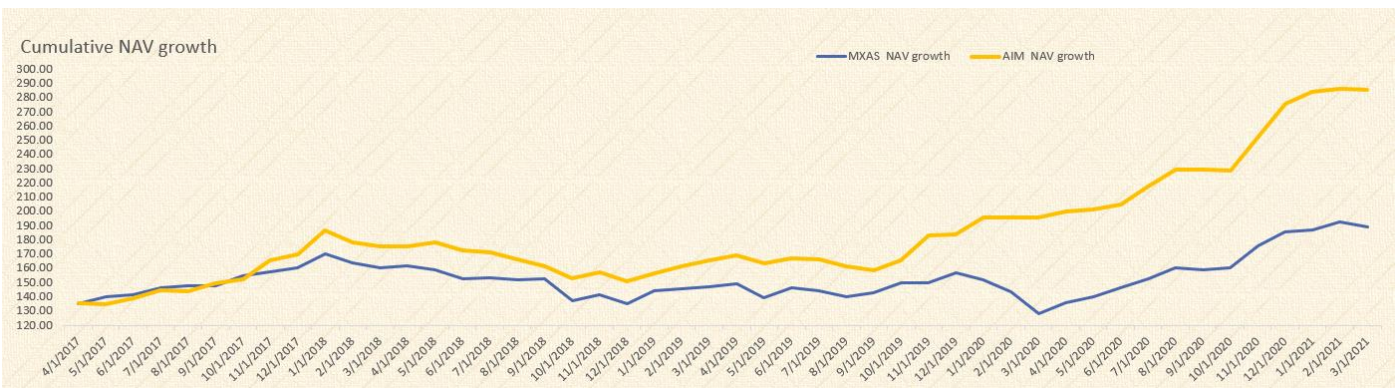
	Jan'18	Feb'18	Mar'18	Apr'18	May'18	June'18	July'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	YTD
MTD Return	9.68%	-4.32%	-1.43%	-0.02%	1.46%	-3.07%	-1.01%	-2.85%	-3.09%	-4.93%	2.57%	-3.90%	-10.89%
YTD Return	9.68%	4.94%	3.44%	3.42%	4.93%	1.71%	0.68%	-2.19%	-5.21%	-9.88%	-7.56%	-11.17%	
ITD Return	37.82%	31.87%	29.99%	29.96%	31.85%	27.81%	26.52%	22.91%	19.11%	13.24%	16.16%	11.62%	
MSCI Asia incl Japan (MXAS)	6.25%	-3.54%	-2.18%	0.63%	-1.38%	-4.12%	0.36%	-0.64%	0.08%	-9.84%	3.08%	-4.61%	
Monthly Alpha	3.43%	-0.78%	0.75%	-0.65%	2.84%	1.05%	-1.37%	-2.21%	-3.17%	4.91%	-0.51%	0.71%	
Monthly Cumulative Alpha	9.7%	8.8%	9.7%	8.9%	12.0%	13.2%	11.7%	9.2%	5.7%	10.9%	10.4%	11.1%	

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	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	July'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	YTD
MTD Return	3.61%	3.03%	2.94%	1.87%	-3.24%	2.05%	-0.52%	-2.90%	-1.60%	4.53%	10.38%	0.59%	21.62%
YTD Return	3.6%	6.75%	9.89%	11.94%	8.31%	10.54%	9.96%	6.77%	5.06%	9.82%	21.22%	21.62%	
ITD Return	15.65%	19.16%	22.66%	24.95%	20.91%	23.39%	22.74%	19.18%	17.27%	22.59%	33.65%	35.06%	
MSCI Asia incl Japan (MXAS)	6.77%	1.16%	0.78%	1.65%	-6.91%	5.03%	-1.22%	-3.12%	2.17%	4.64%	0.34%	4.56%	
Monthly Alpha	-3.16%	1.87%	2.16%	0.22%	3.66%	-2.98%	0.70%	0.22%	-3.77%	-0.11%	10.04%	-3.97%	
Monthly Cumulative Alpha	7.6%	9.6%	12.0%	12.3%	16.4%	12.9%	13.7%	13.9%	9.6%	9.5%	20.5%	15.7%	
	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	July'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	YTD
MTD Return	6.33%	Asia fund freed up for India Fund Launch		2.20%	0.60%	1.70%	6.17%	5.58%	0.10%	-0.29%	9.83%	9.69%	49.85%
YTD Return	6.3%			8.7%	9.3%	11.2%	18.0%	24.6%	24.8%	24.4%	36.6%	49.9%	
ITD Return	44.73%			47.91%	48.8%	51.3%	60.7%	69.6%	69.8%	69.3%	86.0%	104.0%	
MSCI Asia incl Japan (MXAS)	-3.20%	-5.51%	-10.59%	6.06%	2.86%	4.58%	4.27%	4.94%	-0.95%	1.09%	9.65%	5.65%	
Monthly Alpha	9.5%			-3.9%	-2.3%	-2.9%	1.9%	0.6%	1.0%	-1.4%	0.2%	4.0%	
Monthly Cumulative Alpha	26.77%			21.88%	19.12%	15.69%	17.89%	18.64%	19.88%	18.23%	18.45%	23.23%	
	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	July'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	YTD
MTD Return	2.87%	0.81%	-0.13%										3.57%
YTD Return	2.9%	3.7%	3.6%										
ITD Return	109.82%	111.52%	111.25%										
MSCI Asia incl Japan (MXAS)	0.76%	2.72%	-1.60%										
Monthly Alpha	2.1%	-1.9%	1.5%										
Monthly Cumulative Alpha	25.83%	-1.91%	1.47%										



2. Returns above are for pan-Asia strategy and are net of transaction costs but gross of management/incentive fees and operating expenses. Returns are for 'unrestricted' share class i.e. include the profit and loss allocations from IPOs on first trading day. For Feb-Mar'20, we had freed up the commingled fund to launch India Gate Capital, our dedicated LS India fund. However, due to onset of Covid-19, we postponed the launch and reverted back to Asia LS strategy in Apr'20. We did manage an SMA during this period which returned -12% versus the MSCI AsiaPac incl Japan (MXAS) index which was down -16%.

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