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## High-conviction bets propel big gains for Thorn's India Capital fund

Wed Feb 18, 2015

The India Capital Fund shone in January, returning 6.9% after high-conviction holdings in industries including banking, finance and commercial vehicles racked up solid gains during the month.

Automobile manufacturer Ashok Leyland was a standout stock amid strong earnings growth, up 250% from the level that India Capital acquired its shares at nearly a year ago.

Another winner was Chennai-based mortgage company Repco Home Finance, whose very hands-on, fast-approval approach to low-cost house financing is winning it huge business in low penetration markets in various regions in India.

"Repco can very profitably plough its furrow for quite a while. Also if the rates come down further, which looks likely, there will be more demand for housing finance," said India Capital Management co-founder and director Jon Thorn.



Jon Thorn

The stellar run in India's stock market has continued into 2015, aiding many of the India-focused funds to post strong returns in January. But the \$330 million India Capital Fund was a clear winner as its long-bias, data-driven investment policy pays off. It returned 48% in 2014 with 21% alpha, one of the best years in its 20-year track record.

"People will have to change their assumptions about investing in India," noted Thorn, given that India is now the fastest-growing economy in the world, outpacing China for the first time. "Can you think of a good reason not to invest in the world's fastest GDP growth?"

In the next two years, market estimates put India's combined EPS growth at 30%. "The index is a little higher than its 10-year average P/E, so on that basis 20%-30% two years growth for equities seems possible. We would say that the risk to those estimates is likely on the upside rather than downside," Thorn added.

ISSN: 2151-1845 / CDC10004H / 2606161

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