HedgeFund Intelligence

LBN hits $700m in AUM, starts China UCITS on Goldman platform

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Assets under management at Hong Kong-based LBN Advisers have scaled to an impressive $700 million as a result of new inflows and strong returns from its two China-focused strategies in 2013.

The firm is also planning to expand its business further with the launch this week of a new UCITS version of its flagship long/short equity fund, the LBN China+ Opportunity Fund. The LBN China+ Opportunity UCITS Fund will be available on Goldman Sachs

The firm, which is seen as one of the strongest institutional-grade China-focused managers in the region, was established by CIO Lilian Co and CEO Benjamin Chang in 2007. Co, a well-known name in the Asian asset management circles, was the head of China and Hong Kong equities at Baring Asset Management Asia, prior to establishing LBN.

The LBN China+ Opportunity Fund, which has $250 million in assets, delivered a very strong 41.04% return in 2013. The firm-focused Strategic China Panda Fund, delivered an equally robust gain of 31% gain in 2013 and has seen assets rise to $440 million.

Chang says that LBN Advisers is seeing a considerable build-up in investor appetite as focus shifts back to China due to the strong alpha being generated by hedge fund managers operating in that market. He will be on a roadshow for two weeks in early February, visiting cities such as London, New York, Boston and Chicago, to meet existing and potential investors.

LBN Advisers is one of the few successful husband-wife partnerships in the Asian hedge fund landscape, and is seen as one of the most promising homegrown start-ups to have established themselves in the region since the global financial crisis.

The LBN China+ Opportunity Fund is a directional, long/short China strategy, focusing on the Greater China region and other China plays listed across the globe. It was launched in November 2007 at the peak of the China market, months before it was hit by the global financial crisis.

While its 41% return last year against the MSCI China Index's dismal 3.4% performance in 2013 is stellar, the fund's accumulated 190.53% return since inception in 2007 is even more impressive – in comparison with a 38.63% decline in the MSCI China index in the same period.

The fund's gross and net exposures averaged around 160% and 78%, respectively, last year, with high exposure resulting from bottom-up stock selection rather than macro calls. "We had a lot of conviction at the micro level last year to drive returns, even though we only saw a range-trading market against a modest growth environment," said Chang.

He added that three key themes that drove performance in 2013 include the 'old economy-new economy' dichotomy, whereby the portfolio focused on companies benefitting from comprehensive government reforms to restructure the Chinese economy.

New economy firms such as software provider Kingsoft, internet service portal Tencent, and clean-energy focused China Everbright International gained strongly during the year – with Kingsoft shares ending 2013 with an outstanding 309% gain.

The second theme that drove performance was the fund's exposure in turnaround companies that started with rock-bottom valuations but made significant recovery last year, such as Chongqing Changan Automobile. The final theme revolved around companies benefitting from the consumption boom in China and around the region.