FUNDVIEW-**Lutetia Capital upbeat on Asia, shuns Europe**

* Sees Chinese equities outperforming emerging markets in 2011

* Says India catching up, likes infrastructure companies

* Says central Europe too dependent on Germany

By Michel Rose

LONDON, Nov 2 (Reuters) - Chinese equities will race ahead of other emerging markets next year as the government moves to boost consumer spending to rebalance the export-driven economy, asset management firm Lutetia Capital said.

The Paris-based fund will give China the lion's share of the new 'Emerging Opportunities' fund it is launching this month, shrugging off suggestions Chinese assets are overvalued and betting on a 20 percent increase in 2011.

"Some people prefer to buy the carriages rather than the locomotive. You have to buy the driver," said Claude Tiramani, Lutetia Capital's portfolio manager and a former emerging markets manager at BNP Paribas Asset Management.

Banks and retail companies, such as supermarket operator Shanghai Friendship Group (600827.SS), will be the best way to play an upswing in domestic spending and avoid a possible currency appreciation, he said.

Shares in China's key stock index .SSEC have fallen some 6.5 percent so far this year, underperforming the wider emerging markets index MSCIEF, which has risen 13 percent.

"The market knows that and is starting to anticipate (a recovery). China has been outperforming other markets for about two weeks now," Tiramani told Reuters.

The portfolio manager said he was not buying the argument that China was close to overcapacity.

"I know it's very controversial because of the property bubble. But then don't buy property, buy banks and consumer goods," he said, adding that commercial property assets were also likely to benefit from the rise of the Chinese consumer.

BUY THE BANKS

Lutetia Capital -- which borrowed the ancient Roman name for Paris -- was founded in 2009 by former Lazard banker Jean-Francois Comte and Fabrice Seiman, a former adviser to the French finance ministry.

The emerging opportunities fund is its second fund, and will start off with $5 million.

The rise of a middle class hungry for manufactured goods, finally able to abandon its reliance on cash, is the fund's main driver.

Tiramani said 28 percent of the portfolio will be coming from the 'urbanisation' theme -- property and infrastructure stocks -- while banks will account for 22 percent and discretionary goods for most of the balance.

In India, which he sees quickly catching up with China, infrastructure companies, such as Rural Electrification (RURL.BO) will be favoured, as the Indian government seeks to upgrade its ageing electricity network.

The automotive industry will also outperform, with national car-makers Tata Motor (TAMO.BO) and Mahindra & Mahindra (MAHM.BO) set to grow rapidly.

Tiramani is bullish on banks, which he said will take advantage of the 640 billion rupees ($22.64 billion) India is spending on infrastructure, as 40 percent of it will be financed through the banking system.

The two main risks Lutetia Capital said could derail this bullish position are an increase in geopolitical tensions between big rivals such as India and Pakistan, but also a double-dip recession in the West.

"Emerging markets are not protected from potential financial shocks that could happen in the U.S. or Europe," Tiramani said.

This is why the Central European dependence on its richer but struggling neighbors makes him avoid emerging European assets, as Germany's recent recovery will be hurt by a rising euro, he said.

"Will it be able to withstand the euro at $1.60? I don't know. At the moment, there are other opportunities elsewhere."

(Reporting by Michel Rose and Sujata Rao; Editing by Louise Heavens)