



**SECURITIES AND FUTURES COMMISSION**  
證券及期貨事務監察委員會

**Report of the Survey on Hedge Fund Activities of  
SFC-licensed Managers/Advisers**

March 2011



## Executive Summary

### Introduction

The Securities and Futures Commission (SFC) conducted its third fact-finding survey on the Hong Kong hedge fund industry in conjunction with a data collection exercise coordinated by the International Organization of Securities Commissions to collect information concerning global hedge fund activities.

This report aims to provide an update of the Hong Kong hedge fund industry and hedge fund assets under management (AUM, in terms of fund net asset value) as at 30 September 2010.

The SFC would also like to thank all the licensed managers/advisers for participating in the survey and the Alternative Investment Management Association Limited (Hong Kong Chapter) for their coordination amongst their members to support the survey.

### Major findings

#### **Hong Kong's hedge fund industry remained robust.**

- The number of hedge funds managed by SFC-licensed hedge fund managers in Hong Kong stood at 538 as at 30 September 2010, nearly five times the level in 2004, the year our hedge fund surveys started.
- The total hedge fund AUM in Hong Kong increased from US\$9.1 billion in 2004 to US\$63.2 billion in 2010.

#### **Hong Kong hedge fund managers mainly adopted Asia Pacific-focused equity long/short strategy and multi-strategy. Overseas institutional investors made up a majority of the investor base.**

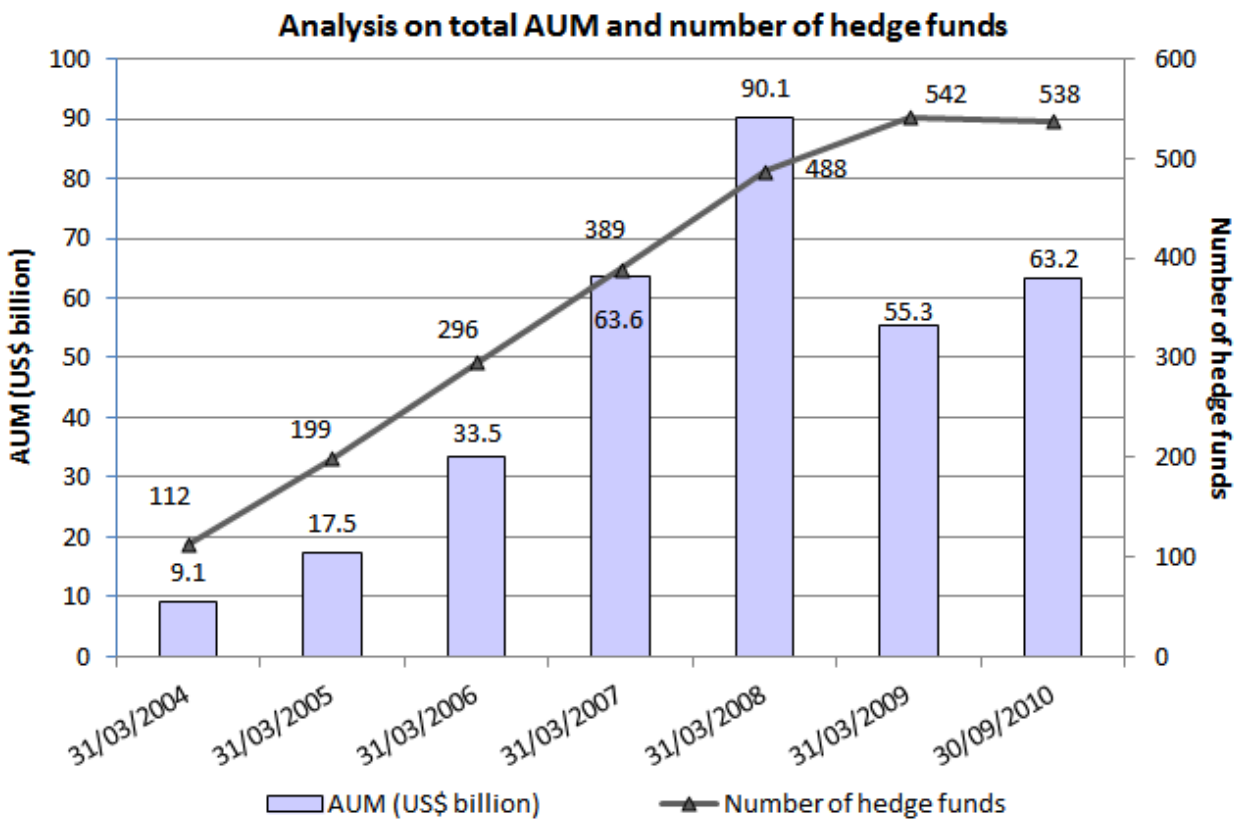
- Equity long/short strategy and multi-strategy remained the most popular strategies. With respect to multi-strategy, the most common underlying strategies were equity long/short, event driven and convertible bond (CB) arbitrage.
- The investments mainly focused on the Asia Pacific markets, which accounted for 66.1% of the total hedge fund AUM. The Hong Kong and Mainland China markets alone made up 26.7%.
- Investors were mainly from overseas, and Hong Kong-based investors only constituted 7.9%. Major investor types were fund of funds and other institutional clients, such as banks and insurance companies.



## Overview

	Number of firms
Hedge fund managers (with AUM in Hong Kong)	240
Other hedge fund related firms	62
Total	302

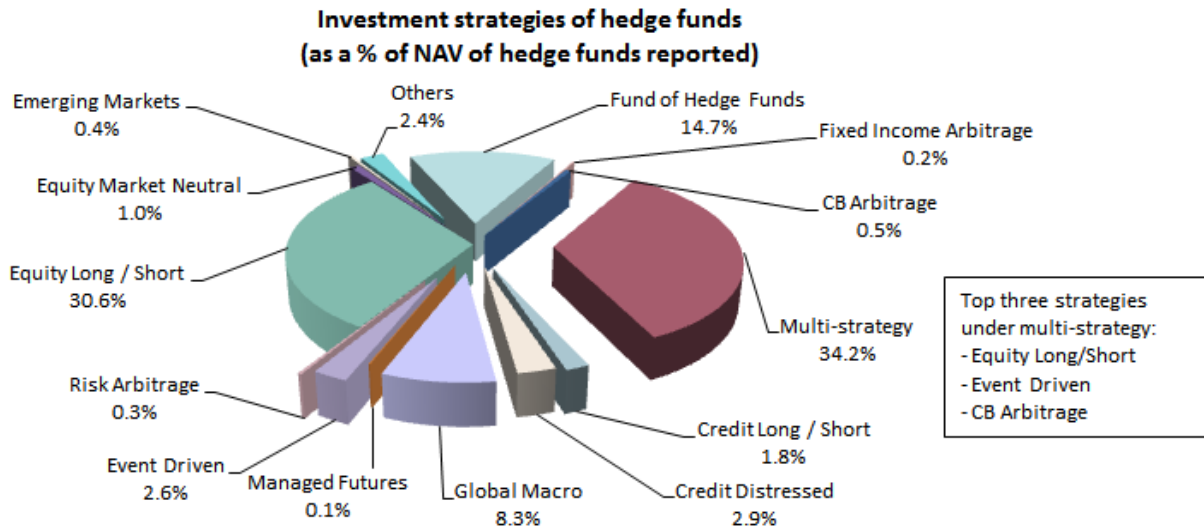
The hedge fund AUM in Hong Kong increased from US\$55.3 billion as at 31 March 2009 to US\$63.2 billion as at 30 September 2010, or an increase of 14%.





## Investment strategy (based on top three hedge funds reported)

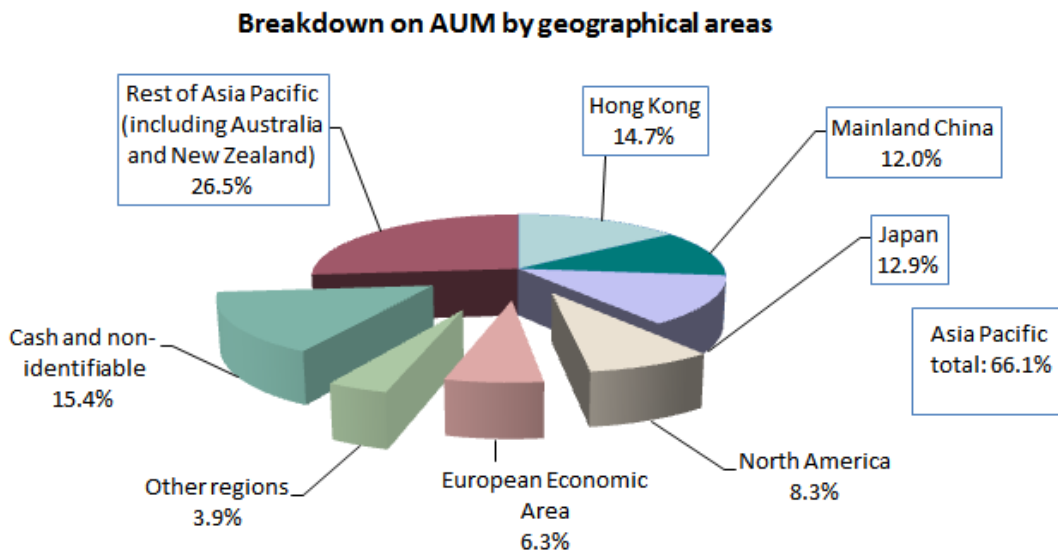
Multi-strategy and equity long/short remained the most popular strategies in Hong Kong. As 34% of the AUM was invested with multi-strategy, it was about the same level in March 2009. The percentage of AUM invested with equity long/short strategy increased from 25% in March 2009 to 31% in September 2010.



The major asset class exposures were in equities, sovereign bonds and credit instruments, and convertible bonds. Since equity long/short was the main strategy adopted by the hedge fund managers in Hong Kong, the exposure in equities was the largest amongst all asset classes, with long exposure at 62.7% and short exposure at 33.2% of the Hong Kong hedge fund AUM.

## Location of investments

The AUM invested in Asia Pacific markets grew to 66% in 2010 from 59% in 2009, mainly due to the increase in Japan and the rest of Asia Pacific.

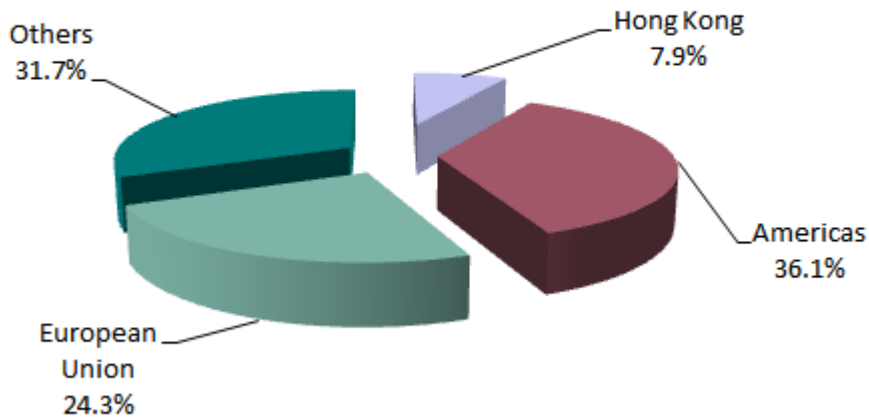




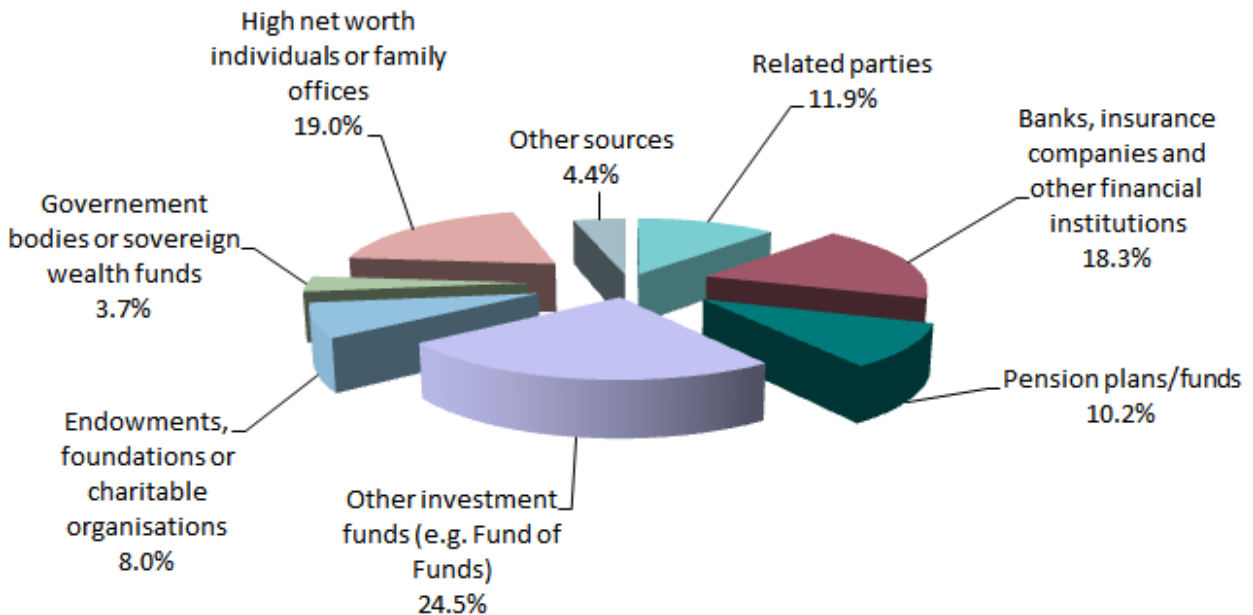
## Source of Investors

Americas and Europe were still the major source of investors, representing over 60% of the AUM managed in Hong Kong and fund of funds remained the major type of investors.

### Source of investors by location



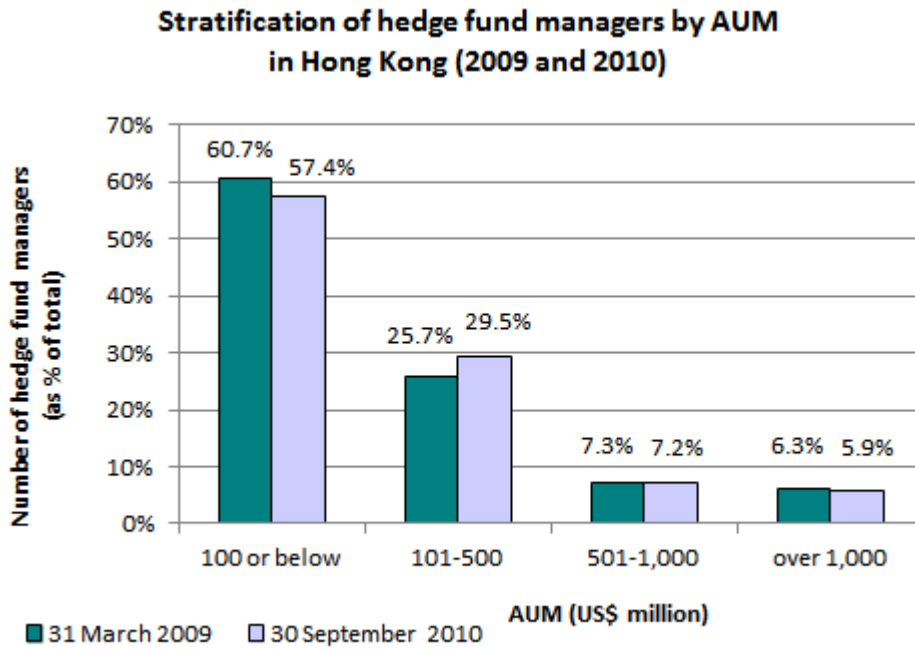
### Source of investors by type





## Stratification of hedge fund managers

Over half of the hedge fund managers had AUM in Hong Kong of US\$100 million or less. Compared to 2009, the number of hedge fund managers with AUM between US\$100 million and US\$500 million increased.



The top 50 hedge fund managers accounted for 78% of total AUM. Among the top 10 managers, two were fund of funds managers.

Hedge fund manager ranked by AUM	AUM (US\$ billion)	% of total AUM
Top 1 to 20	35.2	55.7%
21 to 50	14.2	22.5%
51 to 100	9.5	15.0%
101 and above	4.3	6.8%
<b>Total</b>	<b>63.2</b>	<b>100%</b>