



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 2013



Executive Summary

Introduction

The Securities and Futures Commission (SFC) has conducted its fourth 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 concerning global hedge fund activities.

This report aims to provide an update on the Hong Kong hedge fund industry and hedge fund assets under management (AUM) as of 30 September 2012.

The SFC would like to thank all the licensed managers/advisers for participating in the survey and the Alternative Investment Management Association Ltd (Hong Kong Chapter) for its support. The participation rate amongst active managers¹ was 100%.

Major findings

Hong Kong's hedge fund industry grew.

- The number of hedge funds managed by SFC-licensed hedge fund managers in Hong Kong increased from 538 in 2010 to 676 as of 30 September 2012.
- The total hedge fund AUM in Hong Kong expanded from US\$63.2 billion in 2010 to US\$87.1 billion as of 30 September 2012, an increase of 37.8%².

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

- Equity long/short strategies and multi-strategies remained the most popular. For multi-strategies, the most common underlying strategies were equity long/short, credit long/short, and event driven (risk arbitrage/mergers and acquisitions).
- Investments remained focused on the Asia Pacific markets, which accounted for 65.4% of the total hedge fund AUM. Hong Kong and mainland China accounted for 27.5%.
- American³ and European Union investors represented 61% of the total AUM managed in Hong Kong while Hong Kong-based investors accounted for 6%.
- Major investor type was institutional investors, such as funds of hedge funds, banks, insurance companies and pension funds.

¹ Two managers reported that they would cease business and therefore did not report any AUM.

² A significant portion of the AUM growth can be attributed to foreign hedge fund managers that relocated their headquarters to Hong Kong, spun off as local managers, or merged with local managers.

³ For our survey, "American" and "Americas" refer to regions within North and South American continents.



Overview

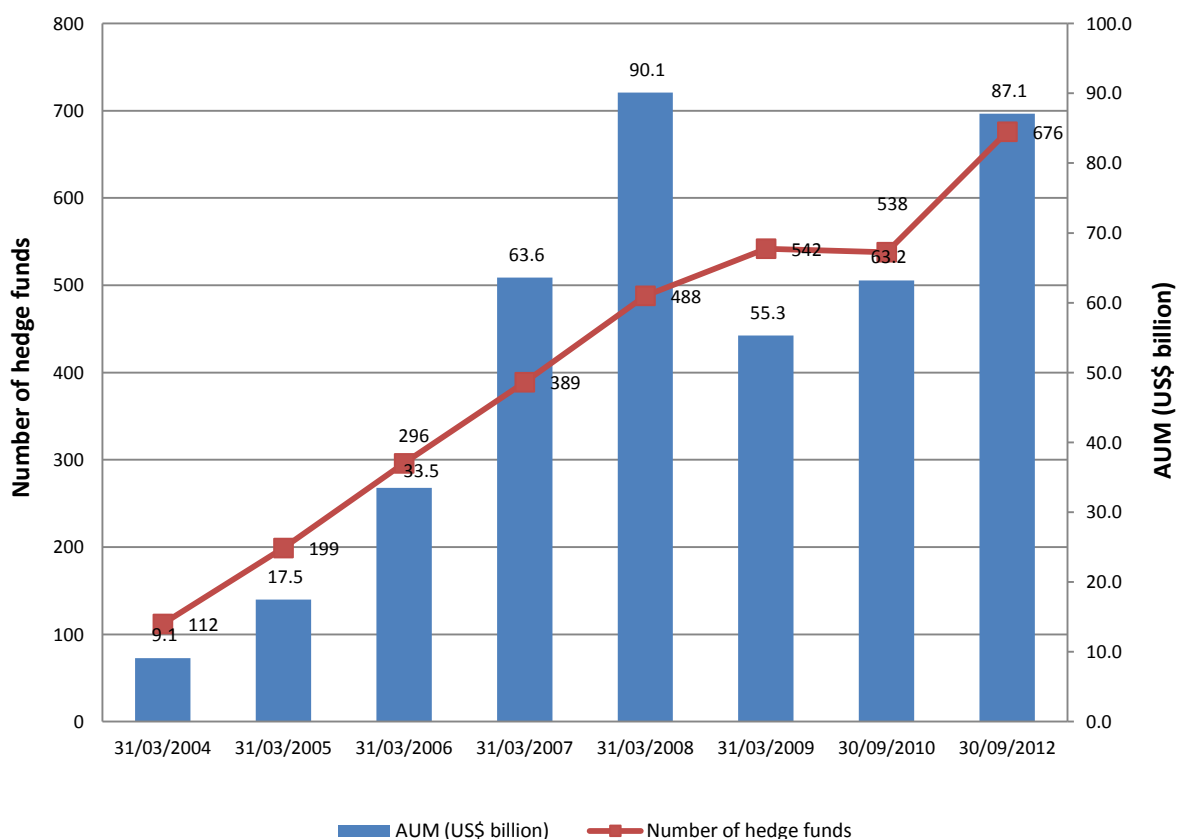
The number of hedge fund managers and related firms increased from 302 in September 2010 to 348 in September 2012.

	Number of firms as of 30 September 2012
Hedge fund managers (with AUM in Hong Kong)	310
Other hedge fund related firms **	38
Total	348

**Mainly firms whose hedge funds had not been launched as of 30 September 2012.

The total hedge fund AUM managed in Hong Kong grew to US\$87.1 billion (the peak was US\$90 billion in 2008).

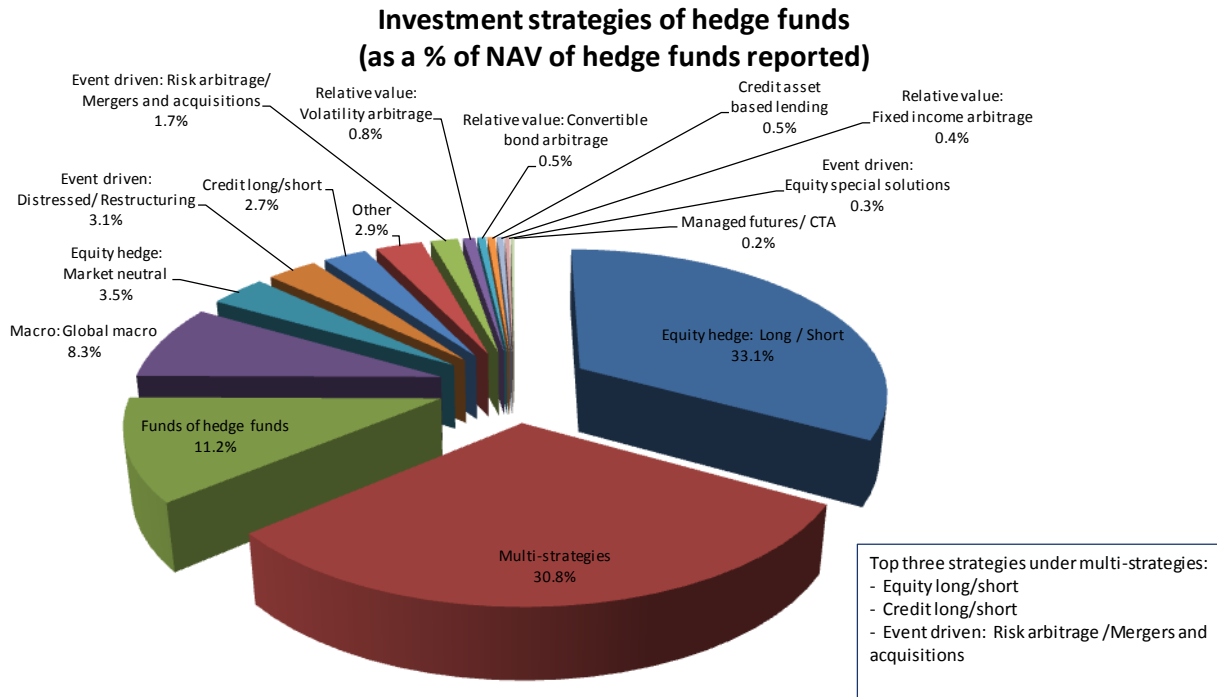
Analysis on total AUM and number of hedge funds





Investment strategy (based on top three hedge funds reported)

Equity long/short strategies and multi-strategies remained the most popular in Hong Kong. The percentage of AUM attributable to funds of hedge funds reduced from 14.7% in 2010 to 11.2% in 2012.



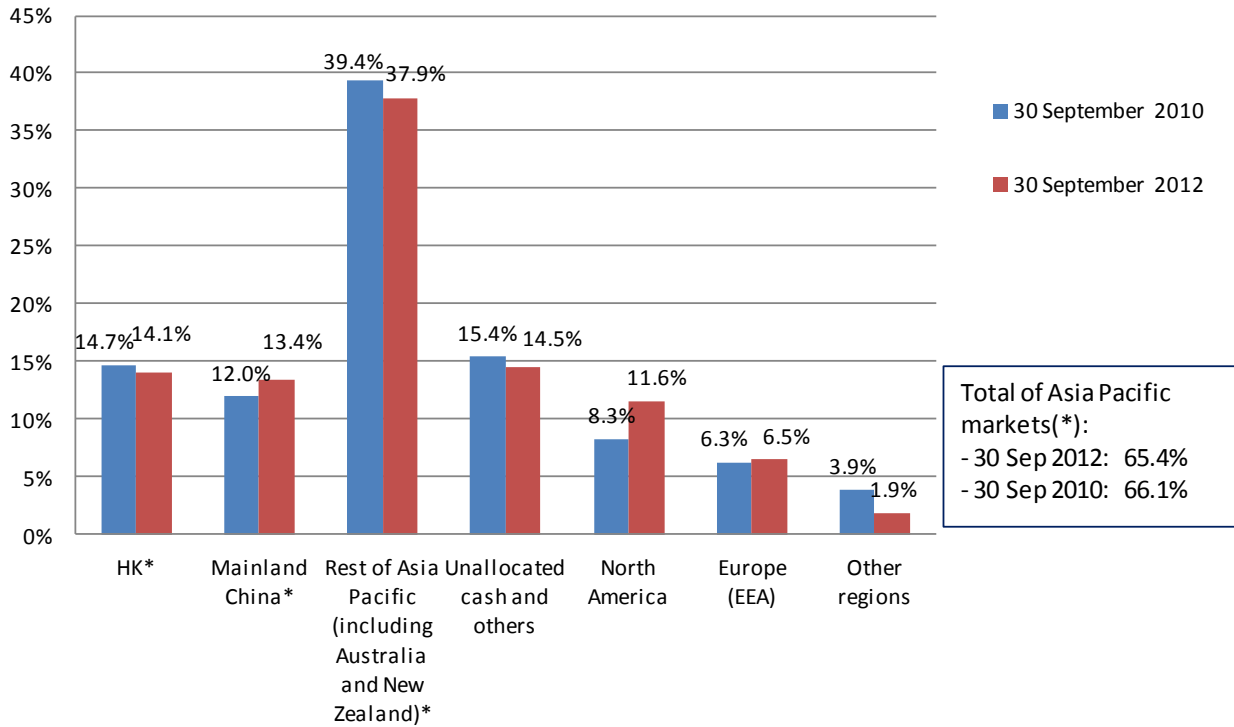
The major asset class exposures were equities, sovereign bonds and credit instruments. As equity long/short strategies was the main strategy adopted, exposures to equities were the largest amongst all asset classes.



Location of investments

The AUM invested in the Asia Pacific markets totalled 65.4% (66.1% in 2010), while investments in North America increased from 8.3% in September 2010 to 11.6% in September 2012.

**Breakdown of AUM by geographical areas
(2010 and 2012)**

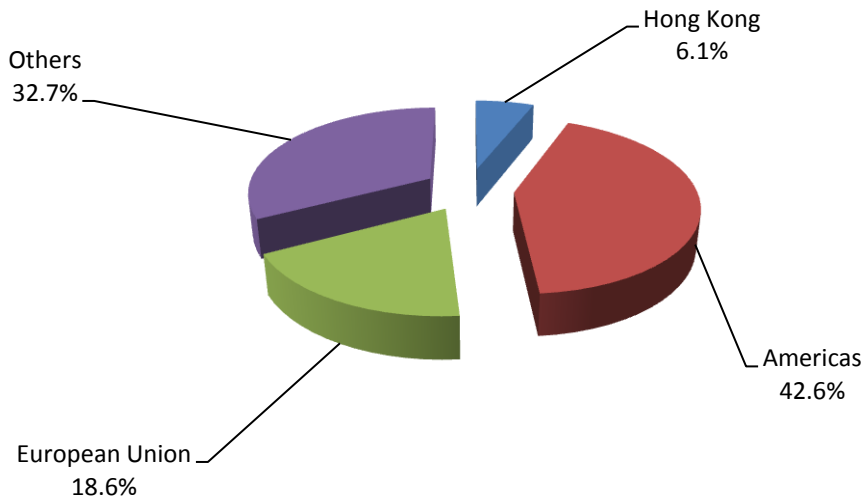




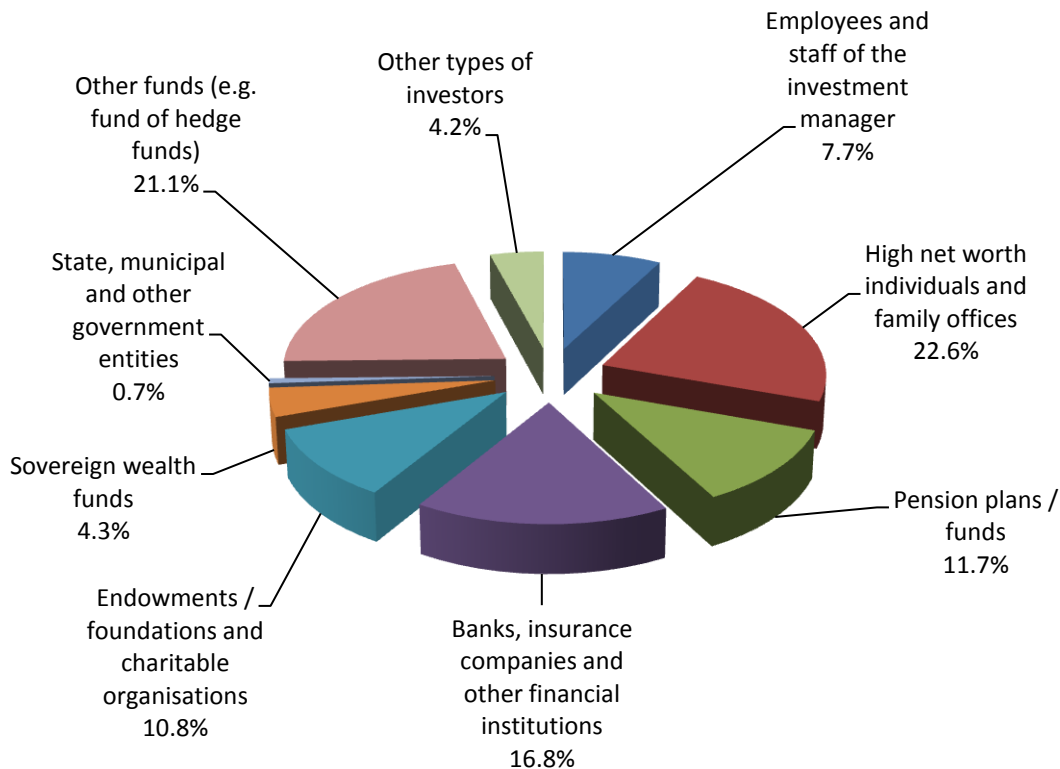
Source of investors

Americas remained as the biggest source of investors, representing 42.6% of the total AUM managed in Hong Kong as of September 2012. European Union investors' share fell to 18.6% in 2012 from 24.3% in 2010. Institutional investors, such as funds of hedge funds, banks, insurance companies and pension funds continued to be the major type of investors.

Source of investors by location



Source of investors by type

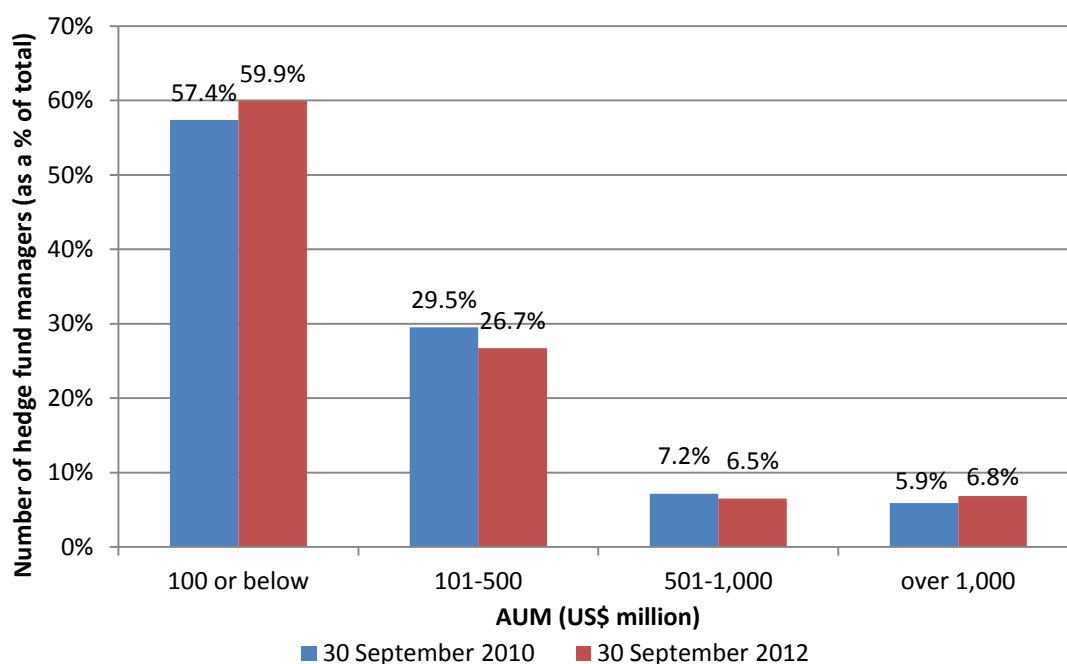




Stratification of hedge fund managers

The number of hedge fund managers with AUM of US\$100 million or less increased slightly from 57.4% in 2010 to almost 60% in 2012. Hedge fund managers with AUM of between US\$100 million and US\$500 million decreased slightly to 26.7%.

Stratification of hedge fund managers by AUM in Hong Kong (2010 and 2012)



The top 50 hedge fund managers accounted for 73.5% of the total AUM as of September 2012 compared to 78.2% as of September 2010. Among the top 10 managers, two were fund of hedge funds managers.

	30 September 2012		30 September 2010	
	AUM (US\$ billion)	% of total AUM	AUM (US\$ billion)	% of total AUM
Top 1 to 20	45.8	52.5%	35.2	55.7%
21 to 50	18.3	21.0%	14.2	22.5%
51 to 100	14.6	16.8%	9.5	15.0%
101 and above	8.4	9.7%	4.3	6.8%
Total	87.1	100%	63.2	100%