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

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.

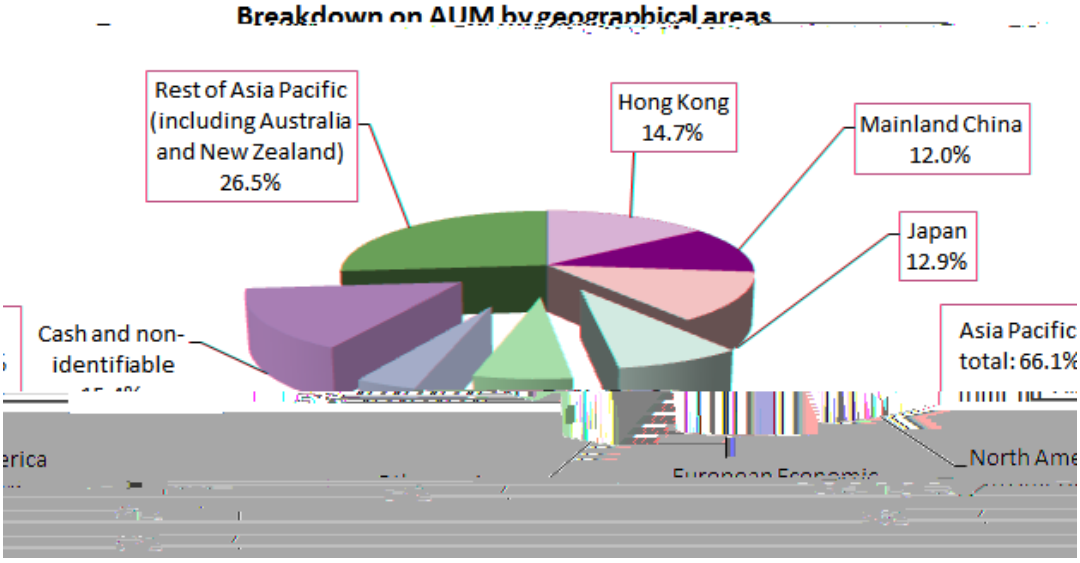
The total hedge fund AUM in Hong Kong increased from US$9.1 billion in 2004 to US$63.2 billion in 2010.

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.


Rest of Asia Pacific (including Australia and New Zealand) 26.5%
Hong Kong 14.7%
Mainland China 12.0%
Japan 12.9%
Cash and non-identifiable
Asia Pacific total: 66.1%
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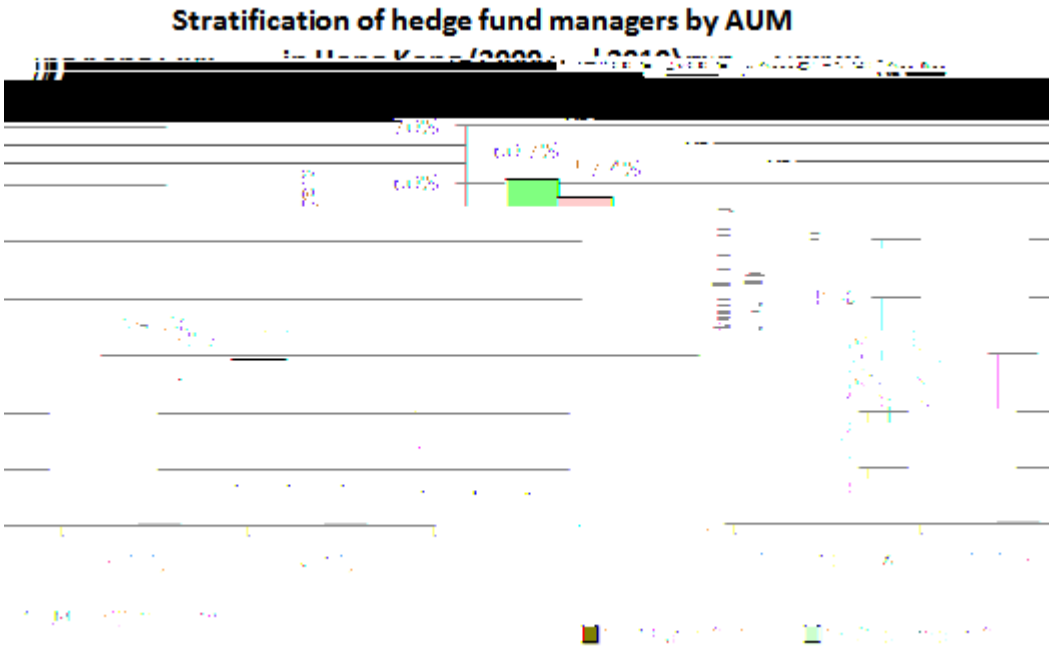
Stratification of hedge fund managers

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%