

# INVESTMENTS STATISTICAL DIGEST

# 2012



## INTRODUCTION

The Cayman Islands Monetary Authority (CIMA) is pleased to release its 2012 Investments Statistical Digest (Statistical Digest). This issue presents the 2012 aggregate statistics gathered from approximately 8,400 regulated funds. The analytical data tables presented in the Statistical Trend Analysis section of the Statistical Digest compare the 2012 figures against 2011.

Net income for Registered, Administered and Licensed Funds for 2012 was US\$138 billion compared to US\$14 billion in 2011 and was the main factor for a 3.4% increase in net assets as total subscriptions were down by 17% and total redemptions were up by 3%.

In 2012, Master Funds were required to register and file annual audited financial statements. At the end of calendar year 2012, there were 1,891 master funds and 10,841 total funds regulated by the Authority.

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# STATISTICAL TREND ANALYSIS



## HIGHLIGHTS - Net Assets increase due to a net income rebound

**US\$1.964 Trillion**  
Net Asset Value<sup>3</sup>

### A Net Income increase of US\$124 billion to US\$138 billion contributed to an increase in net assets despite a reduction in subscriptions and an increase in redemptions

The information presented below captures all funds with a financial year-end within the 2012 and 2011<sup>1</sup> calendar years that filed a Funds Annual Return (FAR) via CIMA's electronic reporting system (E-Reporting). There were 8,383 regulated funds that filed a 2012 FAR, while the 2011 figures represent 6,917 funds.

The data collected for 2012 represents approximately 83% of Cayman Islands-regulated funds that had a financial year-end during 2012<sup>2</sup> and 77% of all funds regulated in the jurisdiction as at December 2012 (see figure 2).

Figure 1

	2012	2011
Net asset value of all Regulated Mutual Funds <sup>3</sup>	US\$1.964 trillion	US\$1.798 trillion
Net asset value of Registered, Administered and Licensed funds (Including Master Funds previously regulated as Registered funds) <sup>4</sup>	US\$1.860 trillion	US\$1.798 trillion
Net asset value of Master Funds	US\$853 billion	N/A
Total subscriptions (and redemptions) by Registered, Administered and Licensed funds (Including Master Funds previously regulated as Registered funds)	US\$570 billion (US\$562 billion)	US\$687 billion (US\$548 billion)
Total subscriptions (and redemptions) by Master Funds	US\$243 Billion (US\$220 Billion)	N/A
Return on Gross Assets of Registered, Administered and Licensed funds (Including Master Funds previously regulated as Registered funds)	5.3%	0.6%
Return on Gross Assets of Master Funds	4.6%	N/A
Return on Net Assets of by Registered, Administered and Licensed funds (Including Master Funds previously regulated as Registered funds)	7.4%	0.8%
Return on Net Assets of Master Funds	10.3%	N/A
Top location of investment managers by net assets	New York (29% of net assets)	New York (29% of net assets)
Primary location for Net Asset Value calculation services by net assets	United States of America	United States of America
Primary location for fund administration services by net assets	Cayman Islands	Cayman Islands
Percentage of funds requiring a minimum initial investment of US\$1 million or more	44%	44%
Top two investment strategies utilised	Multi-Strategy (29% of funds) Long/Short Equity (15% of funds)	Multi-Strategy (31% of funds) Long/Short Equity (18% of funds)
Percentage of funds suspending trading	4%	5%
Total performance fees	US\$12 billion	US\$9 billion
Total performance fees - Master Funds	US\$3 billion	N/A

## Total Regulated Funds by Category

Figure 2

<sup>1</sup>The 2011 comparative figures were taken from the Statistical Stand-Alone Analysis section of the 2011 issue of the Statistical Digest, which can be found on CIMA's website at [www.cimoney.com.ky](http://www.cimoney.com.ky).

<sup>2</sup>A total of 10,123 funds had a financial year-end that occurred within the 2012 calendar year and thus, were due to file a 2012 FAR via E-Reporting. At the date of compilation of this issue of the Digest, 83% (or 8,383 funds) had filed successfully. Of the remaining 17%, 6% were granted regulatory waivers by CIMA and the remaining 11% are under regulatory review.

<sup>3</sup>The Net Asset Value of all regulated Mutual Funds is the Net Asset Value of all Registered, Licensed, Administered and Master Funds adjusted by the value of investments in Master Funds by the regulated Mutual Funds.

<sup>4</sup>A total of 210 Regulated Mutual Funds that re-registered as Master Funds during the 2011/2012 years and had a filing during the 2012 year. These funds have been included in the figures shown to ensure comparability of the amounts to prior years.





# STATISTICAL TREND ANALYSIS

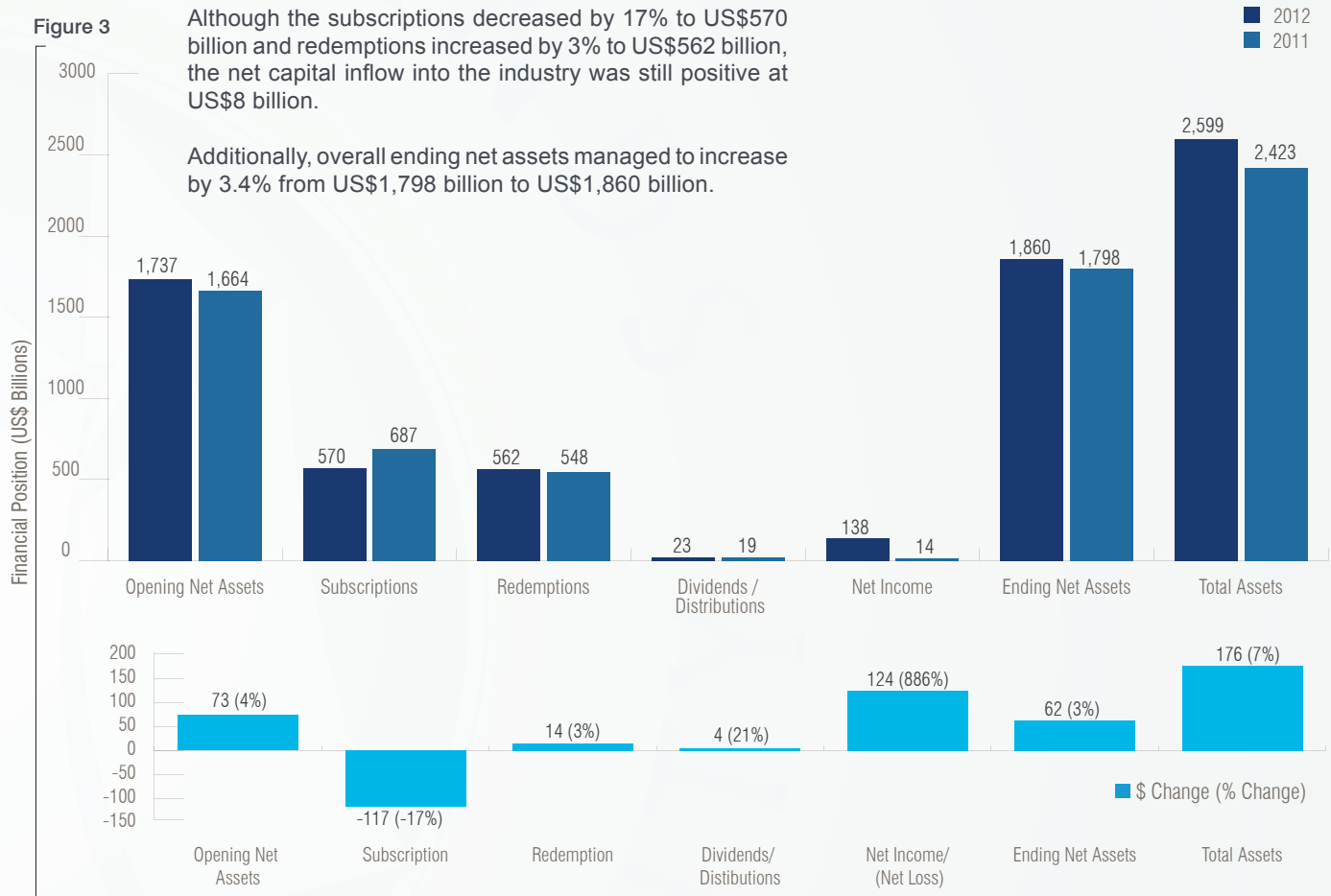
## FINANCIAL POSITION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

(Including Master Funds Previously Regulated as Registered Funds)

The data in Figure 3 illustrates the significant increase in hedge funds' profitability as shown by the increase in net income of US\$124 billion (886%) in 2012.

Although the subscriptions decreased by 17% to US\$570 billion and redemptions increased by 3% to US\$562 billion, the net capital inflow into the industry was still positive at US\$8 billion.

Additionally, overall ending net assets managed to increase by 3.4% from US\$1,798 billion to US\$1,860 billion.



Financial Position (US\$ Billions)	2012	2011	\$ Change	% Change
Opening Net Assets <sup>5</sup>	1,737	1,664	73	4%
Subscriptions	570	687	-117	-17%
Redemptions	562	548	14	3%
Dividends / Distributions	23	19	4	21%
Net Income	138	14	124	886%
<b>Ending Net Assets</b>	<b>1,860</b>	<b>1,798</b>	<b>62</b>	<b>3%</b>
<b>Total Assets</b>	<b>2,599</b>	<b>2,423</b>	<b>176</b>	<b>7%</b>
Return on Gross Assets	5.3%	0.6%		
Return on Net Assets	7.4%	0.8%		

<sup>5</sup> The decrease from the 2011 ending net assets to the 2012 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2012, resulting in a different set of funds filing a 2012 FAR.

# STATISTICAL TREND ANALYSIS

## FINANCIAL POSITION OF MASTER FUNDS



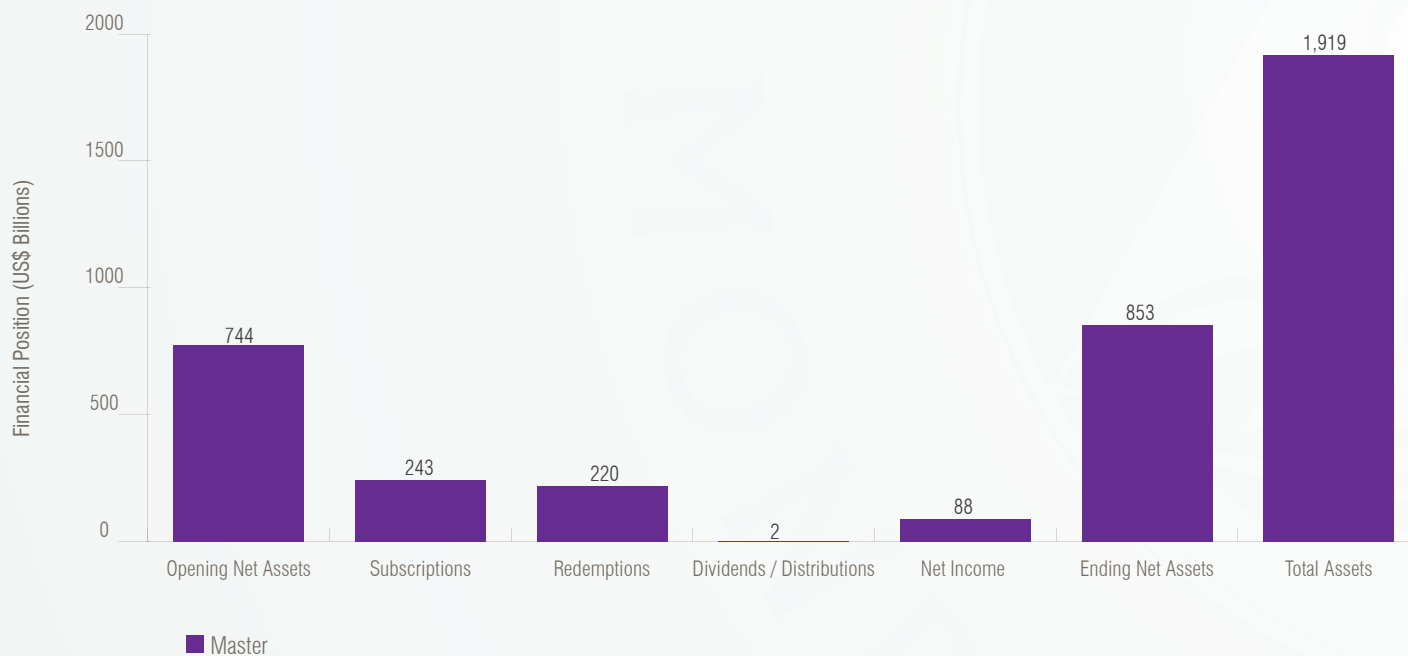
The data in Figure 4 represents the Master Fund financial position for the 2012 year end.

Master Funds had positive net capital inflows with subscriptions exceeding redemptions by US\$23 billion.

Master Funds also generated positive returns of US\$88 billion. This equated to a return of 4.6% on Gross Assets and 10.3% on Net Assets.

Financial Position	2012
Opening Net Assets	744
Subscriptions	243
Redemptions	220
Dividends / Distributions	2
Net Income	88
Ending Net Assets	853
Total Assets	1,919
Return on Gross Assets	4.6%
Return on Net Assets	10.3%

Figure 4





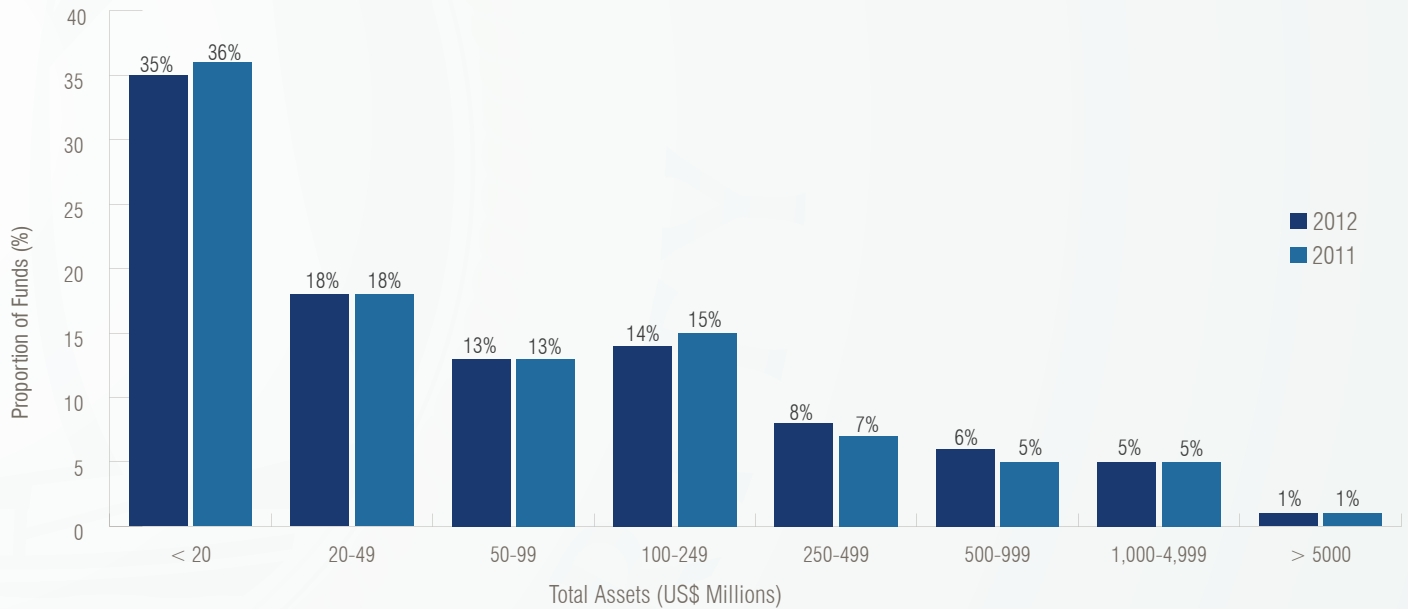
# STATISTICAL TREND ANALYSIS

## FUND SIZE BY TOTAL ASSETS REGISTERED, ADMINISTRATED AND LICENSED FUNDS

Based on their total assets, no substantial change has been observed in fund sizes. Smaller funds with assets of US\$20 million or less continue to be the most common size of funds in the fund industry, accounting for 35% of the funds that filed a FAR in 2012. In total, 66% of all funds that filed a 2012 FAR had total assets of US\$100 million or less.

Fund Size	2012	2011
< 20	35%	36%
20-49	18%	18%
50-99	13%	13%
100-249	14%	15%
250-499	8%	7%
500-999	6%	5%
1000-4999	5%	5%
> 5000	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Figure 5



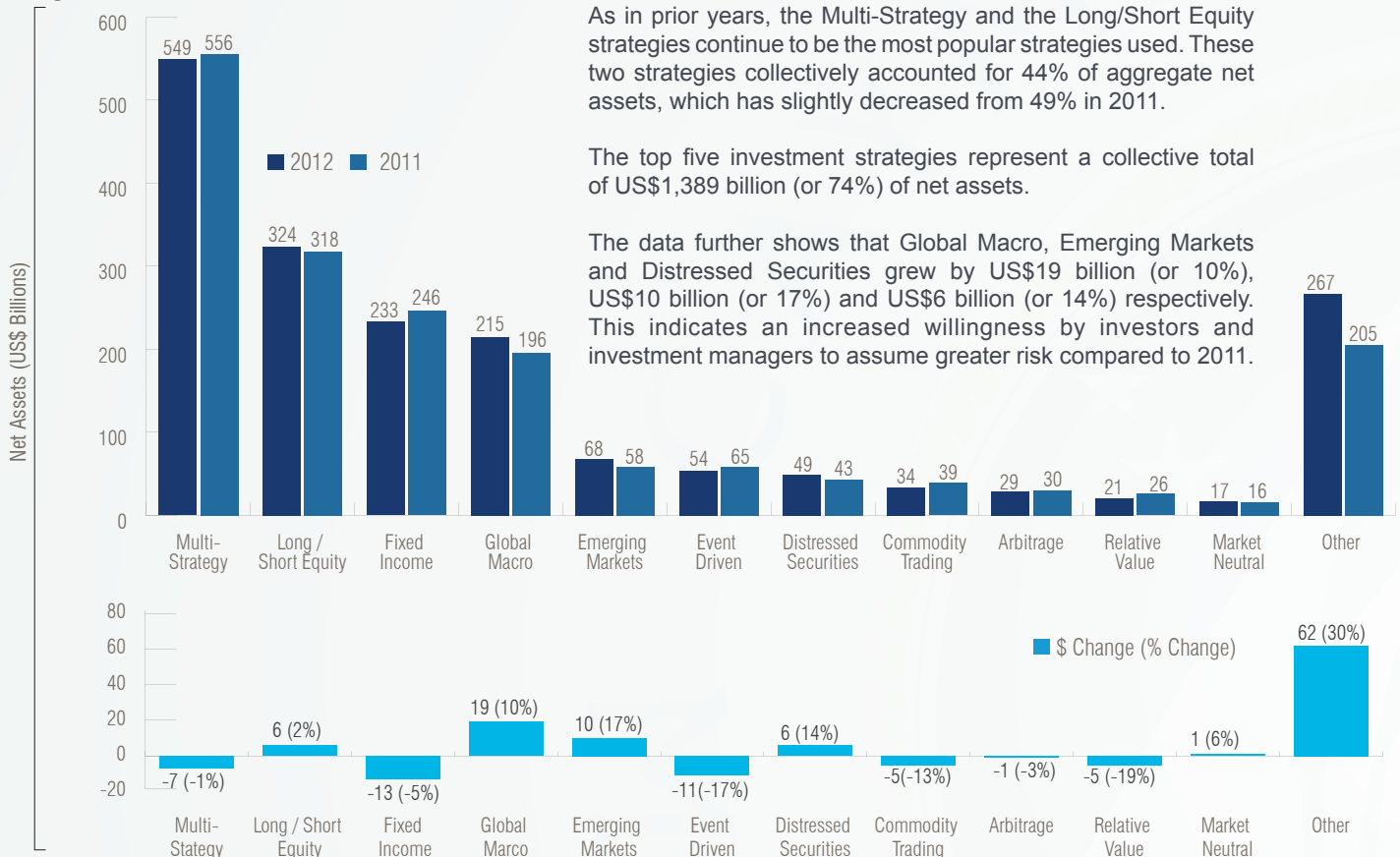
# STATISTICAL TREND ANALYSIS

## INVESTMENT STRATEGY OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

(Including Master Funds Previously Regulated As Registered Funds)



Figure 6



As in prior years, the Multi-Strategy and the Long/Short Equity strategies continue to be the most popular strategies used. These two strategies collectively accounted for 44% of aggregate net assets, which has slightly decreased from 49% in 2011.

The top five investment strategies represent a collective total of US\$1,389 billion (or 74%) of net assets.

The data further shows that Global Macro, Emerging Markets and Distressed Securities grew by US\$19 billion (or 10%), US\$10 billion (or 17%) and US\$6 billion (or 14%) respectively. This indicates an increased willingness by investors and investment managers to assume greater risk compared to 2011.

Net Assets per Investment Strategy	2012 Net Assets (US\$ Billions)	2012 % Allocated <sup>7</sup>	2011 Net Assets (US\$ Billions)	2011 % Allocated <sup>7</sup>	\$ Change <sup>6</sup> (US\$ Billions)
Multi-Strategy	549	30%	556	31%	-7
Long/Short Equity	324	17%	318	18%	6
Fixed Income	233	12%	246	14%	-13
Global Macro	215	12%	196	11%	19
Emerging Markets	68	3%	58	3%	10
Event Driven	54	3%	65	4%	-11
Distressed Securities	49	3%	43	2%	6
Commodity Trading	34	2%	39	2%	-5
Arbitrage	29	2%	30	2%	-1
Relative Value	21	1%	26	1%	-5
Market Neutral	17	1%	16	1%	1
Other	267	14%	205	11%	62
<b>Total</b>	<b>1,860</b>	<b>100%</b>	<b>1,798</b>	<b>100%</b>	<b>62</b>

<sup>6</sup> The change in net assets allocated to an investment strategy from 2012 compared to 2011.

<sup>7</sup> The percentage of total net assets allocated to the investment strategy during the year specified.

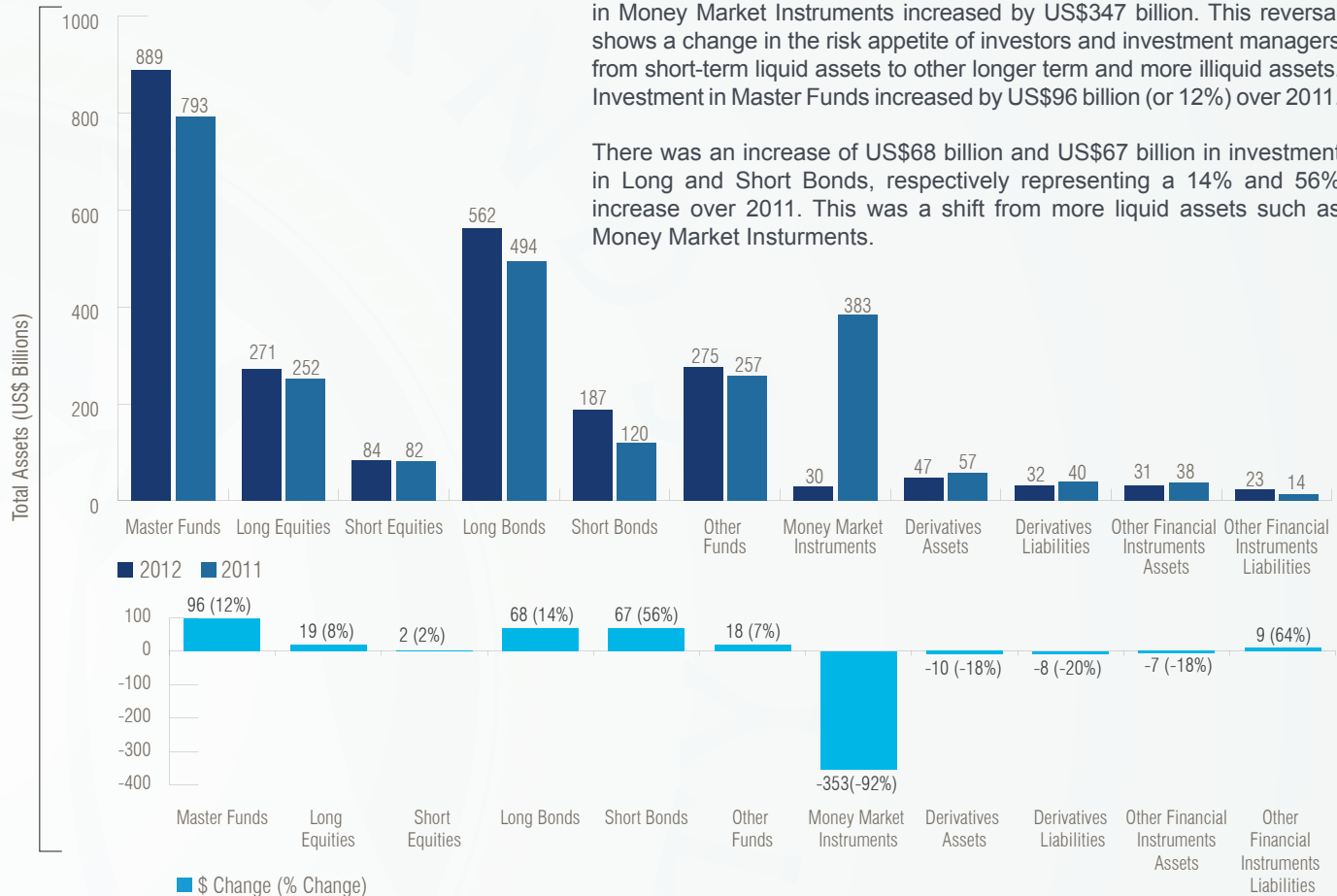


# STATISTICAL TREND ANALYSIS

## ASSET ALLOCATION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

(Including Master Funds Previously Regulated as Registered Funds)

Figure 7



In 2012, investments in Money Market Instruments showed a decrease of US\$353 billion (or 92%). This reflects a reversal of 2011 when investment in Money Market Instruments increased by US\$347 billion. This reversal shows a change in the risk appetite of investors and investment managers from short-term liquid assets to other longer term and more illiquid assets. Investment in Master Funds increased by US\$96 billion (or 12%) over 2011.

There was an increase of US\$68 billion and US\$67 billion in investment in Long and Short Bonds, respectively representing a 14% and 56% increase over 2011. This was a shift from more liquid assets such as Money Market Instruments.

Asset Allocation	2012 Value (US\$ Billions)	2012 % Allocated	2011 Value (US\$ Billions)	2011 % Allocated	\$ Change (US\$ Billions)
Master Funds	889	37%	793	31%	96
Long Equities	271	11%	252	10%	19
Short Equities	84	3%	82	3%	2
Long Bonds	562	23%	494	19%	68
Short Bonds	187	8%	120	5%	67
Other Funds	275	12%	257	10%	18
Money Market Instruments	30	1%	383	15%	-353
Derivatives Assets	47	2%	57	2%	-10
Derivatives Liabilities	32	1%	40	2%	-8
Other Financial Instruments Assets	31	1%	38	2%	-7
Other Financial Instruments Liabilities	23	1%	14	1%	9
<b>Total</b>	<b>2,431</b>	<b>100%</b>	<b>2,530</b>	<b>100%</b>	<b>-99</b>

Note: The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR, which is an optional section. A total of 92% of funds opted to complete this section for 2012.

# STATISTICAL TREND ANALYSIS

## ASSET ALLOCATION - MASTER FUNDS



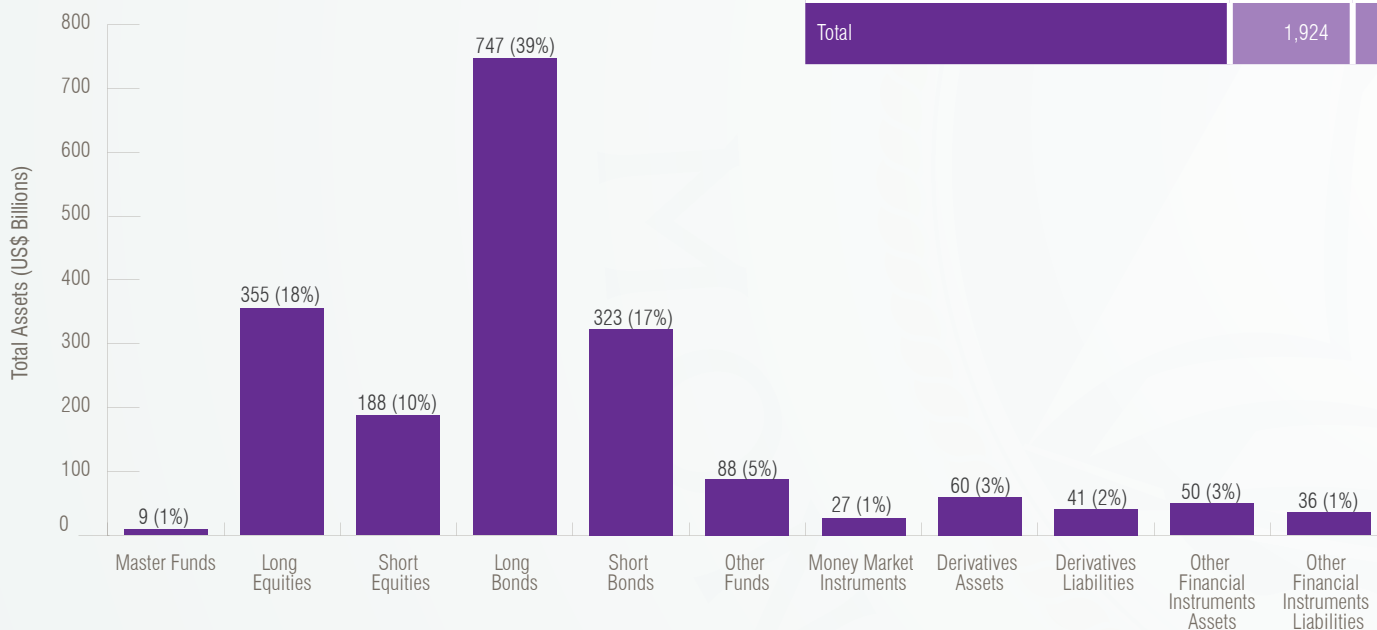
In 2012, Master Funds invested US\$1,070 billion of the US\$1,924 billion or 55.4% of the investment portfolio in bonds.

Equities was the next most popular portfolio allocation with US\$543 billion or 28.5% of the investment portfolio allocated.

The significant investment in bonds and equities by master fund investment managers indicates that investment managers used so called plain vanilla securities to generate the Return on Gross Assets of 4.6% and the Return on Net Assets of 10.3%.

Asset Allocation	2012 Value (US\$)	2012 % Allocation
Master Funds	9	1%
Long Equities	355	18%
Short Equities	188	10%
Long Bonds	747	39%
Short Bonds	323	17%
Other Funds	88	5%
Money Market Instruments	27	1%
Derivatives Assets	60	3%
Derivatives Liabilities	41	2%
Other Financial Instruments Assets	50	3%
Other Financial Instruments Liabilities	36	1%
<b>Total</b>	<b>1,924</b>	<b>100%</b>

Figure 8





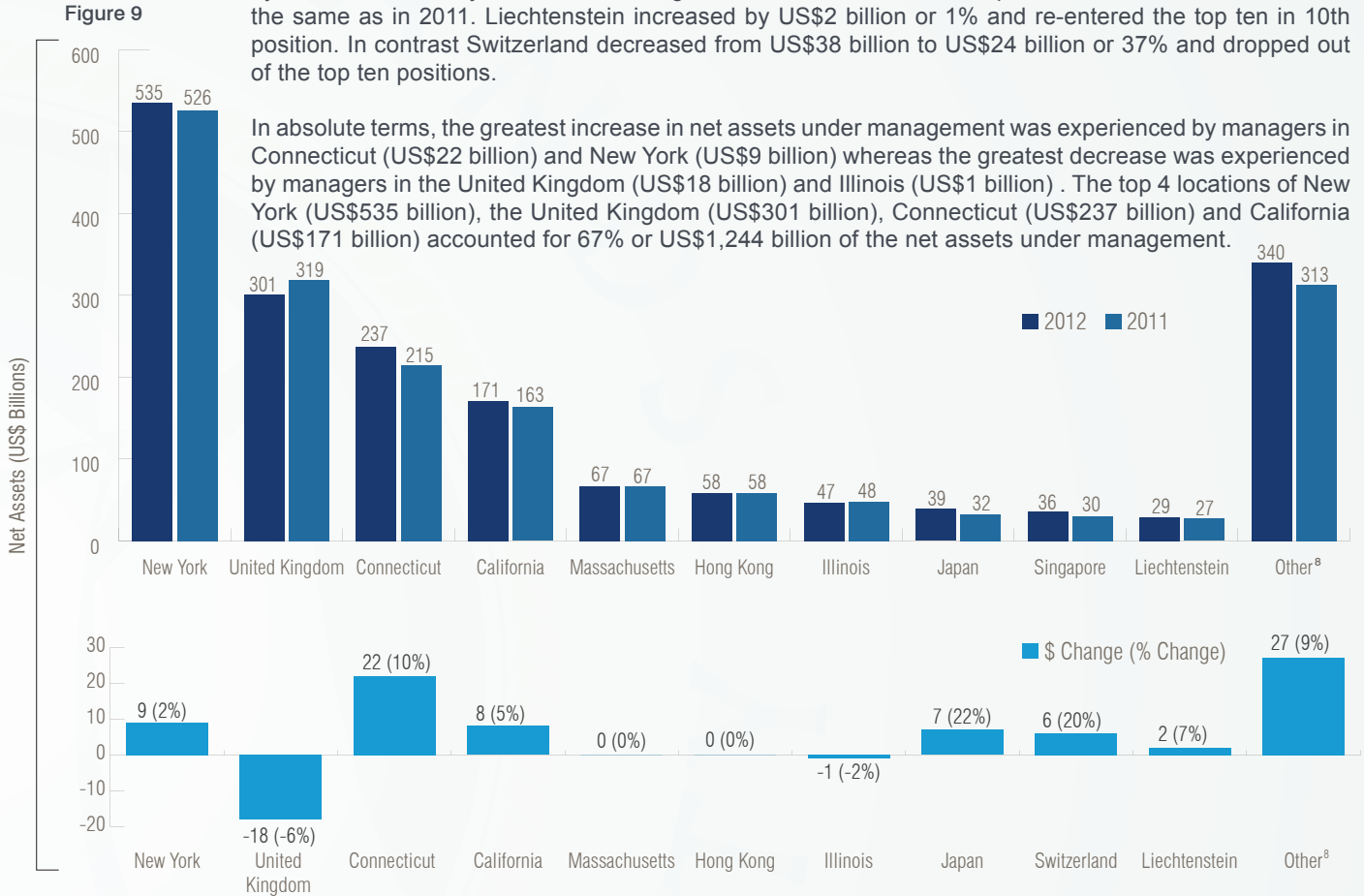


# STATISTICAL TREND ANALYSIS

## NET ASSETS BY INVESTMENT MANAGER LOCATION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS (Including Master Funds Previously Regulated As Registered Funds)

The table identifies the top ten investment manager locations in 2012, compared to 2011 as measured by net assets held by investment managers in those locations. The top seven locations have remained the same as in 2011. Liechtenstein increased by US\$2 billion or 1% and re-entered the top ten in 10th position. In contrast Switzerland decreased from US\$38 billion to US\$24 billion or 37% and dropped out of the top ten positions.

In absolute terms, the greatest increase in net assets under management was experienced by managers in Connecticut (US\$22 billion) and New York (US\$9 billion) whereas the greatest decrease was experienced by managers in the United Kingdom (US\$18 billion) and Illinois (US\$1 billion). The top 4 locations of New York (US\$535 billion), the United Kingdom (US\$301 billion), Connecticut (US\$237 billion) and California (US\$171 billion) accounted for 67% or US\$1,244 billion of the net assets under management.



Investment Manager Location	2012 Net Assets (US\$ Billions)	2012 % Allocated	2011 Net Assets (US\$ Billions)	2011 % Allocated	\$ Change (US\$ Billions)
New York	535	29%	526	29%	9
United Kingdom	301	16%	319	18%	-18
Connecticut	237	13%	215	12%	22
California	171	9%	163	9%	8
Massachusetts	67	3%	67	4%	0
Hong Kong	58	3%	58	3%	0
Illinois	47	3%	48	3%	-1
Japan	39	2%	32	2%	7
Singapore	36	2%	30	2%	6
Liechtenstein	29	2%	27	2%	2
Other <sup>a</sup>	340	18%	313	16%	27
<b>Total</b>	<b>1,860</b>	<b>100%</b>	<b>1,798</b>	<b>100%</b>	<b>62</b>

<sup>a</sup> Investment manager locations that accounted for 1% or less of the aggregate net assets were grouped as 'Other' and thus are considered individually insignificant. The 2011 amount of US\$313 billion is different from the US\$302 billion in the 2011 Stats Digest due to Liechtenstein being separately presented in the above table and Switzerland being included in Other

# STATISTICAL TREND ANALYSIS

## NET ASSETS BY INVESTMENT MANAGER REGION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

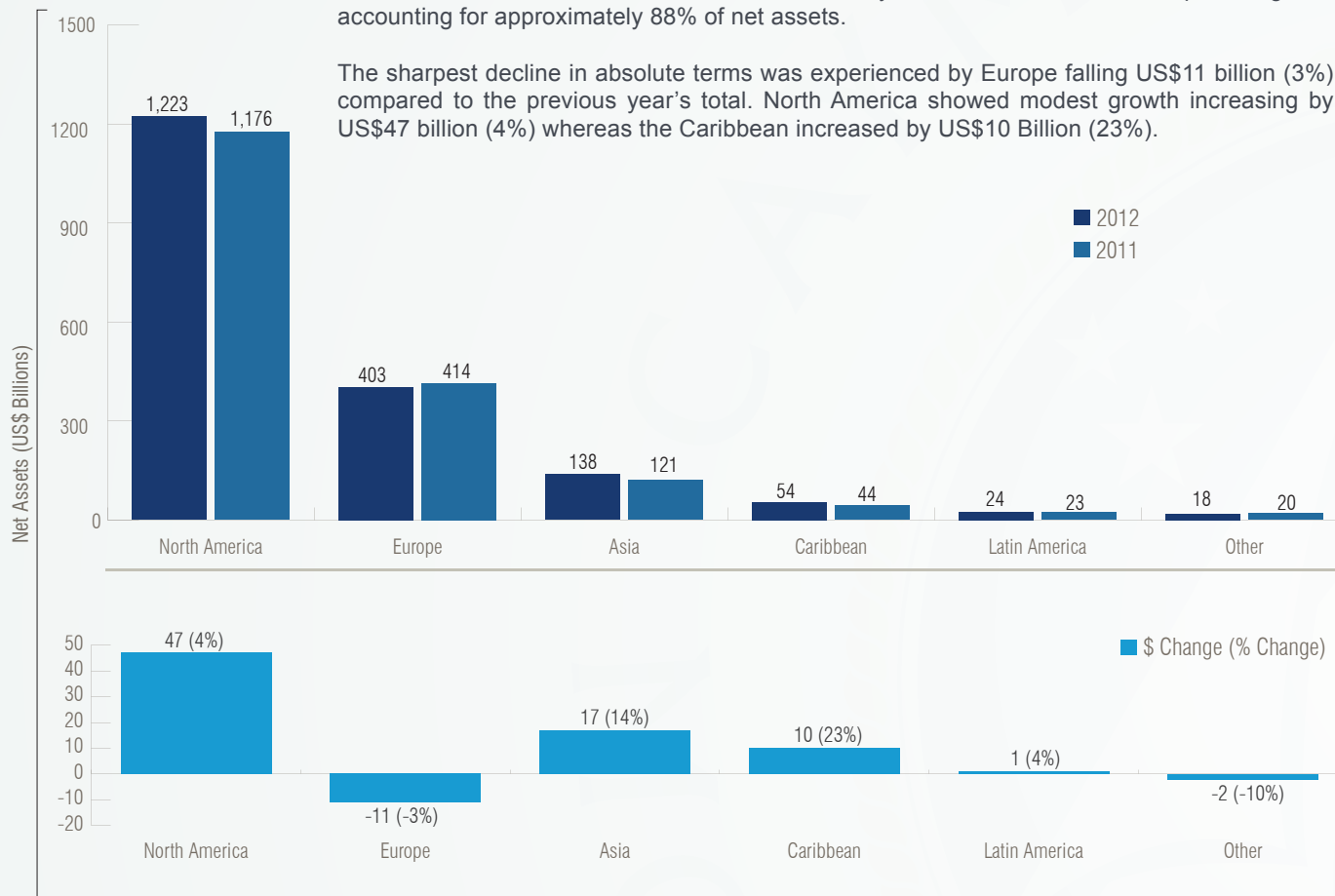
(Including Master Funds Previously Regulated As Registered Funds)



Figure 10

The data presented below shows the allocation of net assets per investment manager by region. Investment location continues to be dominated by North American and European regions, accounting for approximately 88% of net assets.

The sharpest decline in absolute terms was experienced by Europe falling US\$11 billion (3%) compared to the previous year's total. North America showed modest growth increasing by US\$47 billion (4%) whereas the Caribbean increased by US\$10 Billion (23%).



Investment Manager Region	2012 Net Assets (US\$ Billions)	2012 % Allocated	2011 Net Assets (US\$ Billions)	2011 % Allocated	\$ Change (US\$ Billions)
North America	1,223	66%	1,176	66%	47
Europe	403	22%	414	23%	-11
Asia	138	7%	121	7%	17
Caribbean	54	3%	44	2%	10
Latin America	24	1%	23	1%	1
Other	18	1%	20	1%	-2
<b>Total</b>	<b>1,860</b>	<b>100%</b>	<b>1,798</b>	<b>100%</b>	<b>62</b>

**North America** - Canada, USA

**Europe** - Austria, Denmark, Finland, France, Germany, Guernsey, Ireland, Isle of Man, Italy, Jersey, Luxembourg, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom

**Asia** - China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, Thailand

**Caribbean** - Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands

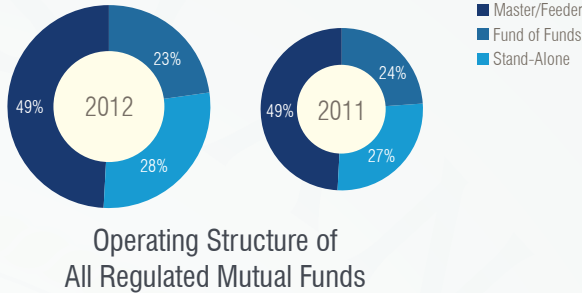
**Latin America** - Argentina, Brazil, Mexico

**Other** - Australia, Bahrain, Israel, Kuwait, Mauritius, New Zealand, Saudi Arabia, South Africa, United Arab Emirates



# STATISTICAL TREND ANALYSIS

Figure 11

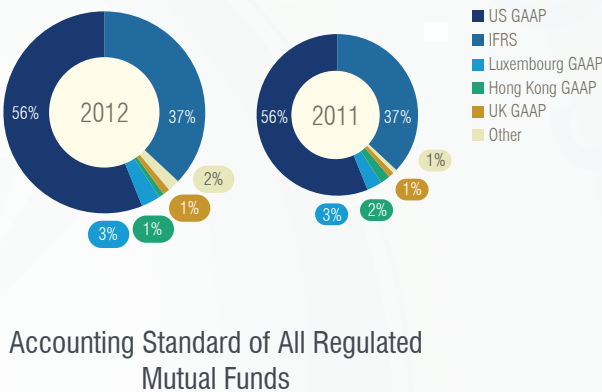


Operating Structure of All Regulated Mutual Funds

Operating Structure	2012	2011
Master / Feeder	49%	49%
Fund of Funds	23%	24%
Stand-Alone	28%	27%

Year on year, the breakdown of funds across the three main operating structures remained relatively unchanged. Of the funds that filed a FAR for 2012, 49% reported using a master/feeder structure, 23% a fund of funds structure and the remaining 28% were stand-alone funds.

Figure 12

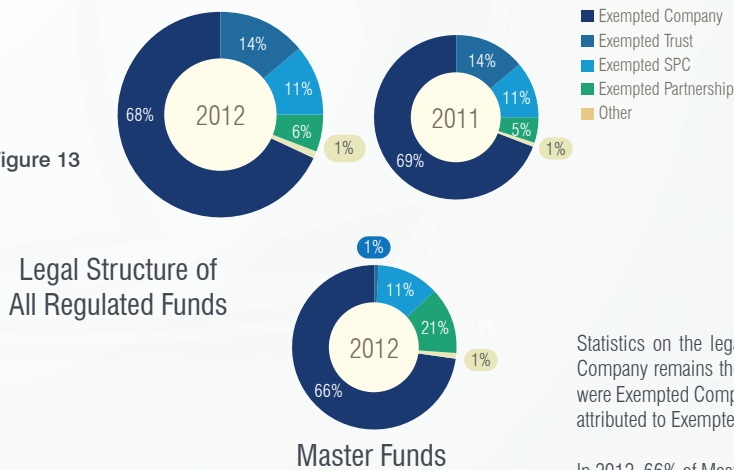


Accounting Standard of All Regulated Mutual Funds

Accounting Standard	2012	2011
US GAAP	56%	56%
IFRS	37%	37%
Luxembourg GAAP	3%	3%
Hong Kong GAAP	1%	2%
UK GAAP	1%	1%
Other	2%	1%

The two main accounting standards utilized by funds continue to be United States Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS). Of the number of funds that filed a 2012 FAR, 56% presented their financial statements using US GAAP, and 37% used IFRS. The data indicates that the use of Luxembourg GAAP, the next highest category, was unchanged at 3% from previous years. The remaining 4% used accounting principles and standards from a mix of various other jurisdictions.

Figure 13



Legal Structure of All Regulated Funds

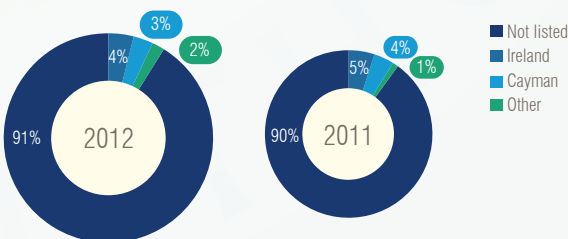
Master Funds

Legal Structure	2012	2011	Master Funds 2012
Exempted Company	68%	69%	66%
Exempted Trust	14%	14%	1%
Exempted SPC	11%	11%	11%
Exempted Partnership	6%	5%	21%
Other	1%	1%	1%

Statistics on the legal structure used by funds remained relatively unchanged from 2011. The Exempted Company remains the most popular legal structure used by funds. Of the funds that filed a 2012 FAR, 68% were Exempted Companies, 14% were Exempted Trusts, 11% were Exempted SPC and the remaining 7% were attributed to Exempted Partnerships and other legal structures.

In 2012, 66% of Master Funds used the Exempted Company Structure as their legal structure whereas 21% of the Master funds used the Exempted Partnership structure.

Figure 14



Stock Exchange of All Funds

Stock Exchange	2012	2011
Not listed	91%	90%
Ireland	4%	5%
Cayman	3%	4%
Other	2%	1%

Of the funds that filed a 2012 FAR, a total of 91% did not list their equity interests on a recognised stock exchange, which was relatively consistent with the results in 2011. Additionally, there was a reduction, from 5% to 4%, of funds that were listed on the Irish Stock Exchange. The remaining 5% were listed on the Cayman Islands Stock Exchange and other international stock exchanges.

# STATISTICAL TREND ANALYSIS

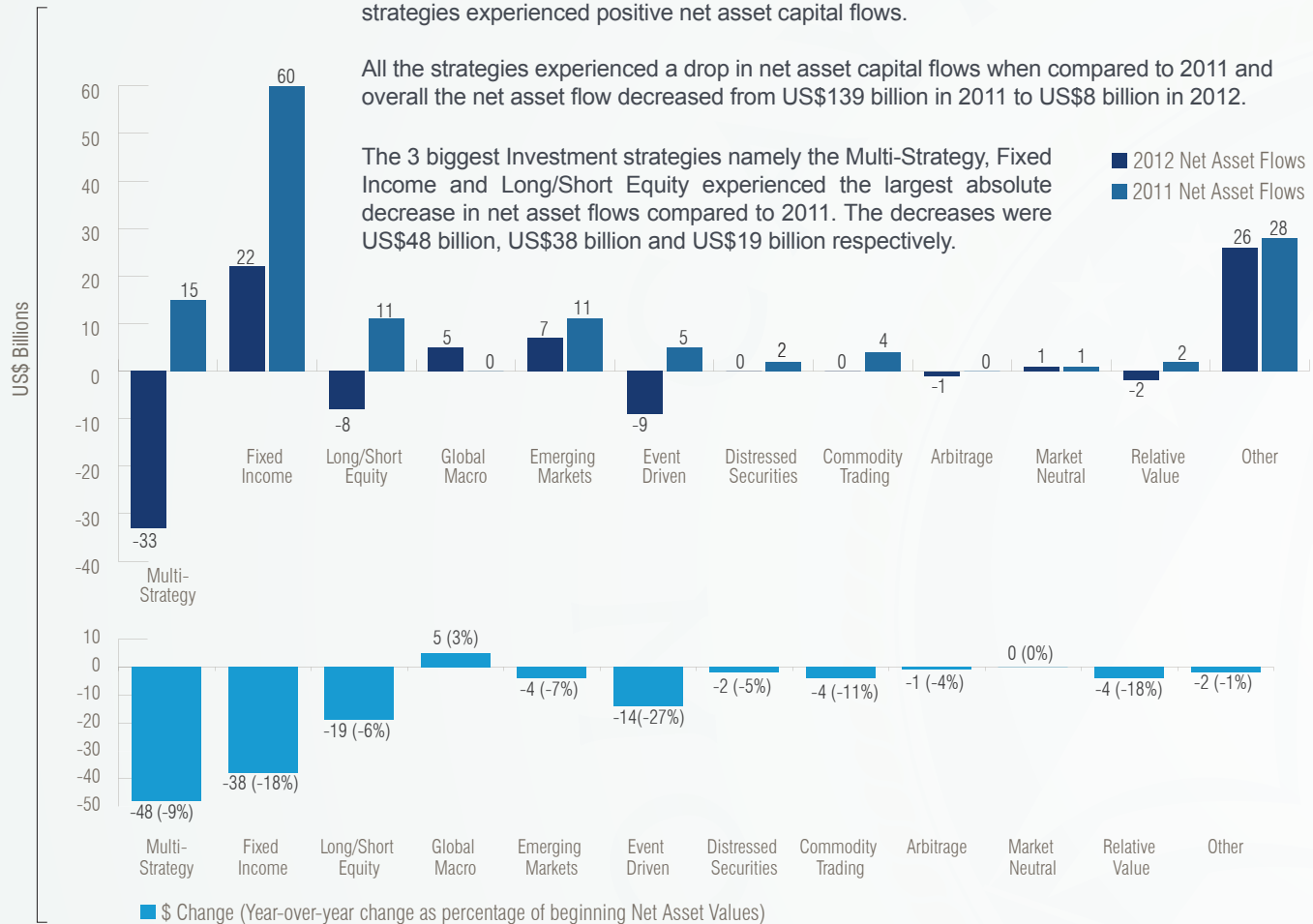
## ASSET FLOWS BY INVESTMENT STRATEGY OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

(Including Master Funds Previously Regulated as Registered Funds)



In 2012, the net asset capital flows for the individual investment strategy were a mix of positive and negative net asset capital flows. The Multi-Strategy, Long/Short Equity, Event Driven, Arbitrage and Relative Value strategies experienced negative net asset capital flows. In contrast the Fixed Income, Global Macro, Emerging Markets and Market Neutral strategies experienced positive net asset capital flows.

Figure 15



Investment Strategy	2012 Subscriptions (US\$ Billions)	2012 Redemptions (US\$ Billions)	2012 Net Asset Flows (US\$ Billions)	2011 Subscriptions (US\$ Billions)	2011 Redemptions (US\$ Billions)	2011 Net Asset Flows (US\$ Billions)	Year-over-year Change in Net Asset Flows (US\$ Billions)
Multi-Strategy	108	141	-33	155	140	15	-48
Fixed Income	97	75	22	124	64	60	-38
Long/Short Equity	87	95	-8	101	90	11	-19
Global Macro	50	45	5	55	55	0	5
Emerging Markets	22	15	7	23	12	11	-4
Event Driven	12	21	-9	25	20	5	-14
Distressed Securities	11	11	0	11	9	2	-2
Commodity Trading	11	11	0	16	12	4	-4
Arbitrage	8	9	-1	11	11	0	-1
Market Neutral	6	5	1	5	4	1	0
Relative Value	5	7	-2	7	5	2	-4
Other	153	127	26	154	126	28	-2
<b>Total</b>	<b>570</b>	<b>562</b>	<b>8</b>	<b>687</b>	<b>548</b>	<b>139</b>	<b>-131</b>



# STATISTICAL TREND ANALYSIS

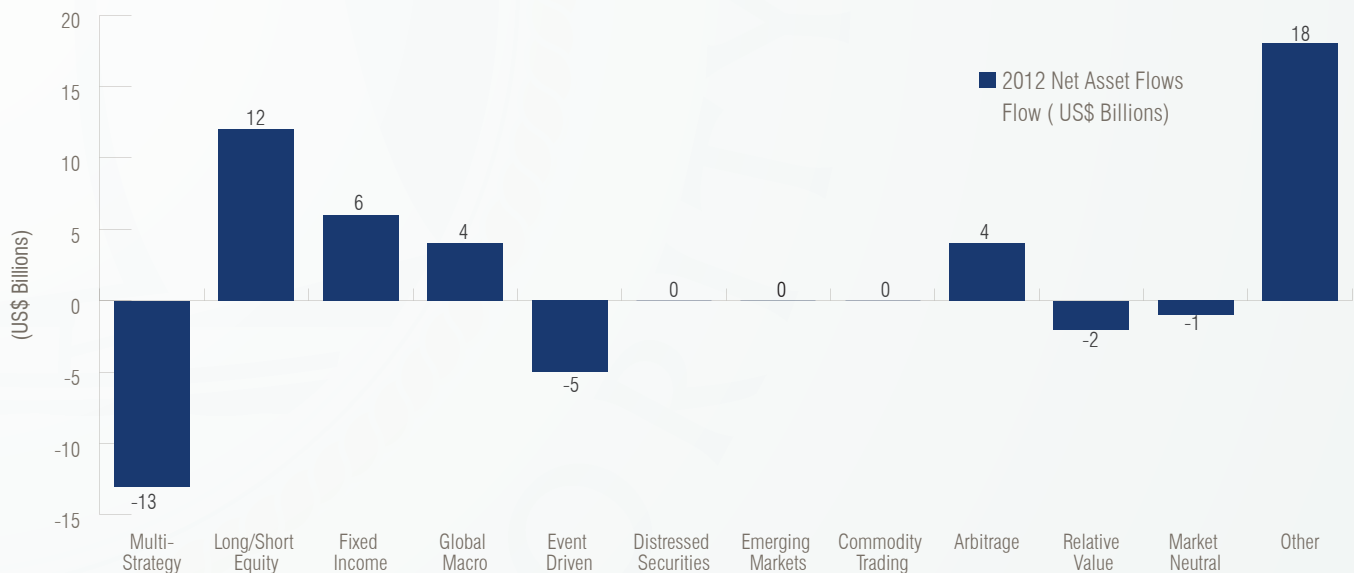
## ASSET FLOWS BY INVESTMENT STRATEGY OF MASTER FUNDS

In 2012, the net asset capital flows for Master Funds were stable with all strategies (except for the Multi-Strategy and the Long/Short Equity) experiencing net asset flows of greater than US\$10 billion.

Multi-Strategy experienced a net asset outflow of US\$13 billion and the Long/Short Equity Strategy experienced a net asset inflow of US\$12 billion. Both of these net asset flows are consistent with the net asset flows experienced by the Registered, Administered and Licensed funds.

Investment Strategy	2012 Subscriptions (US\$ Billions)	2012 Redemptions (US\$ Billions)	2012 Net Asset Flows (US\$ Billions)
Multi-Strategy	45	58	-13
Long/Short Equity	51	39	12
Fixed Income	17	11	6
Global Macro	29	25	4
Event Driven	8	13	-5
Distressed Securities	10	10	0
Emerging Markets	6	6	0
Commodity Trading	7	7	0
Arbitrage	14	10	4
Relative Value	3	5	-2
Market Neutral	5	6	-1
Other <sup>9</sup>	48	30	18
<b>Total</b>	<b>243</b>	<b>220</b>	<b>23</b>

Figure 16



<sup>9</sup> Other investment strategies include: Asset Backed/ Mortgage Backed Securities (net asset inflow of \$3 billion) Managed Futures (net asset inflow of \$3 billion) and Global Trading strategies (net asset inflow of \$1 billion) which contributed to the movement in Other.

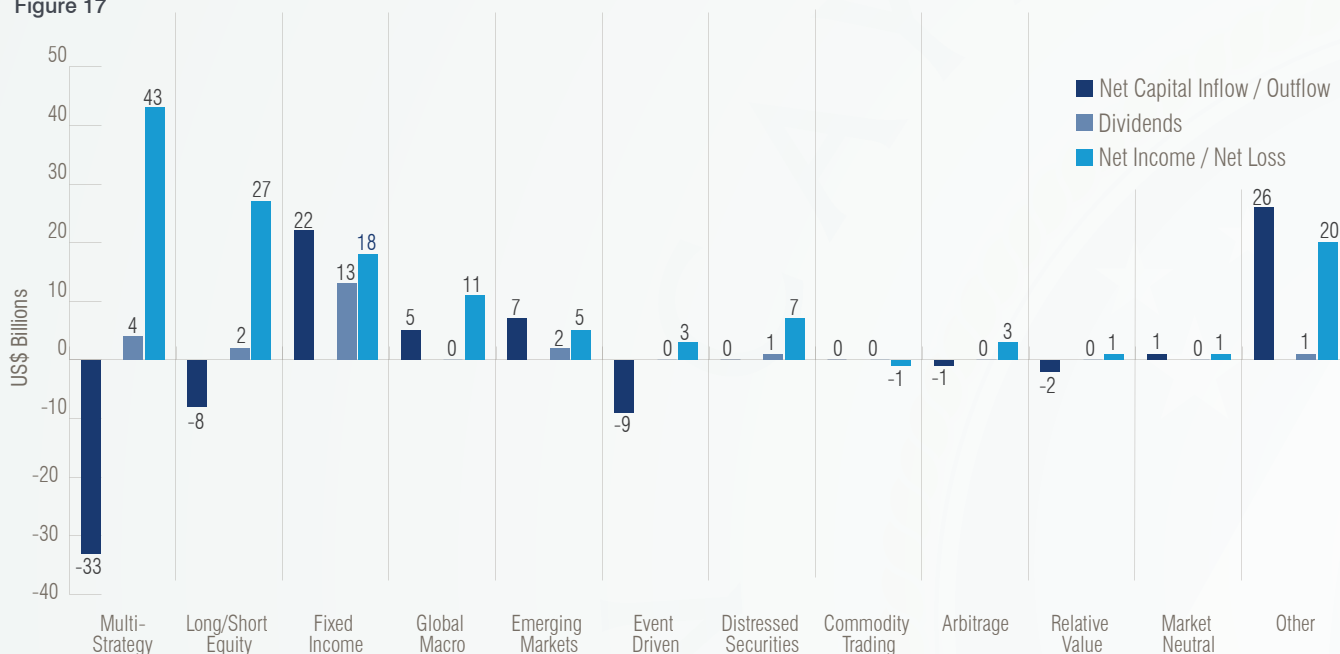
# STATISTICAL STAND-ALONE ANALYSIS

## CHANGE FACTORS IN NET ASSETS BY INVESTMENT STRATEGY OF REGISTERED, ADMINISTERED AND LICENSED FUNDS



Ending net assets across most of the major investment strategies increased during 2012 as a result of higher net income. Funds invested in Multi-Strategy, Long/Short Equity, Event Driven, Arbitrage and Relative Value strategies experienced higher redemptions than subscriptions (ie. negative net capital flow but reported higher net income than in 2011). Total net income recorded for the year was US\$138 billion compared to US\$14 billion in 2011. Dividends of US\$23 billion were paid in 2012 compared to US\$19 billion in 2011.

Figure 17



Investment Strategy	Opening Net Assets <sup>10</sup>	Ending Net Assets	Change in Net Assets <sup>11</sup>	Net Capital In-flow / Outflow <sup>12</sup>	Dividends	Net Income/ Net Loss
Multi-Strategy	543	549	6	-33	4	43
Long/Short Equity	307	324	17	-8	2	27
Fixed Income	206	233	27	22	13	18
Global Macro	199	215	16	5	0	11
Emerging Markets	58	68	10	7	2	5
Event Driven	60	54	-6	-9	0	3
Distressed Securities	43	49	6	0	1	7
Commodity Trading	35	34	-1	0	0	-1
Arbitrage	27	29	2	-1	0	3
Relative Value	22	21	-1	-2	0	1
Market Neutral	15	17	2	1	0	1
Other	222	267	45	26	1	20
<b>Total</b>	<b>1,737</b>	<b>1,860</b>	<b>123</b>	<b>8</b>	<b>23</b>	<b>138</b>

<sup>10</sup> The decrease from the 2011 ending net assets to the 2012 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2012 resulting in a different set of funds filing a 2012 FAR

<sup>11</sup> Calculated as 2012 Ending Net Assets minus 2011 Opening Net Assets

<sup>12</sup> Calculated as 2012 Subscriptions minus 2012 Redemptions.

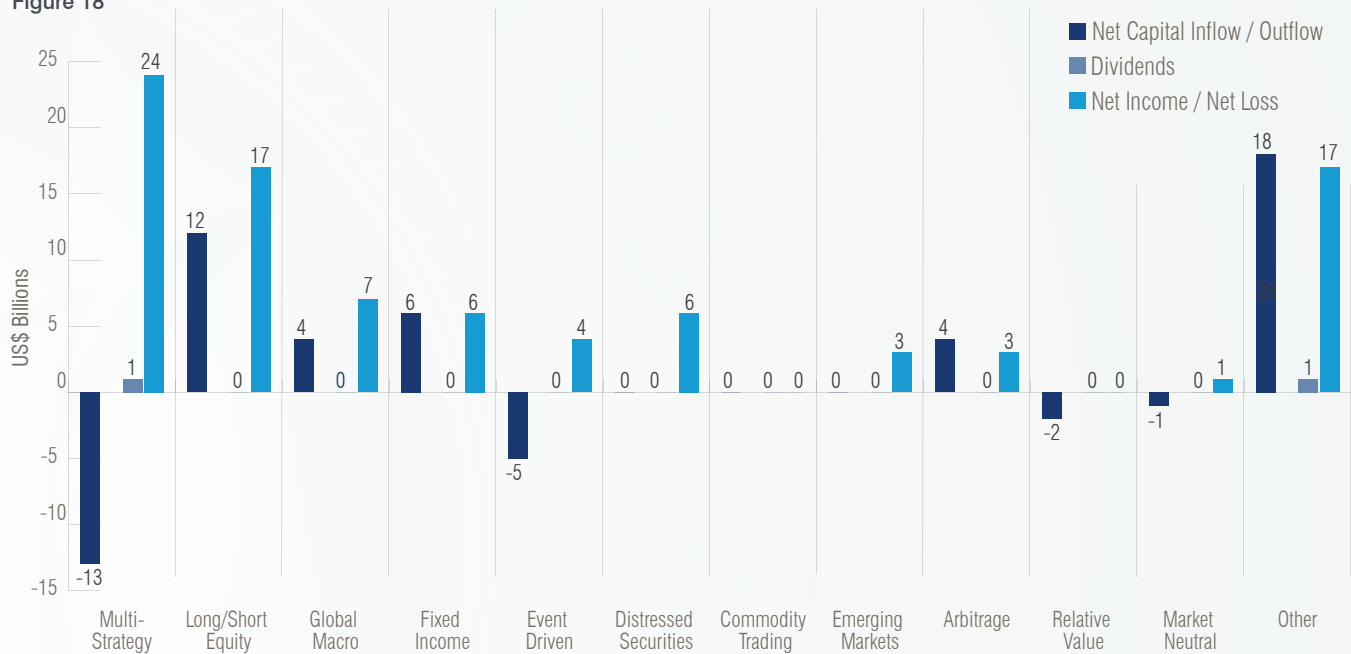


# STATISTICAL STAND-ALONE ANALYSIS

## CHANGE FACTORS IN NET ASSETS BY INVESTMENT STRATEGY - MASTER FUNDS

In 2012, Master Funds with the Multi-Strategy, Event Driven, Relative Value and Market Neutral strategies experienced negative net capital flows (i.e. redemptions were greater than subscriptions) of US\$13 billion, US\$5 billion, US\$2 billion and US\$1 billion respectively. However the Multi-Strategy, Event Driven and Market Neutral strategies experienced positive net income which assisted in offsetting the negative capital flows experienced by Master Funds with those strategies. The net result of the above was net assets increasing for the Multi-Strategy by US\$11 billion, the Event Driven decreasing by US\$1 billion and the Market Neutral Strategies remaining constant. The remaining strategies all had positive net capital flows and positive net incomes. The combined effect of this is that Master Fund Net Assets increased by US\$109 billion.

Figure 18



Investment Strategy	Opening Net Assets	Ending Net Assets	Change in Net Assets <sup>13</sup>	Net Capital Inflow / Outflow <sup>14</sup>	Dividends	Net Income/ Net Loss
Multi-Strategy	227	237	11	-13	1	24
Long/Short Equity	131	160	29	12	0	17
Global Macro	82	93	11	4	0	7
Fixed Income	38	50	12	6	0	6
Event Driven	37	36	-1	-5	0	4
Distressed Securities	35	41	6	0	0	6
Commodity Trading	21	21	0	0	0	0
Emerging Markets	19	22	2	0	0	3
Arbitrage	21	28	7	4	0	3
Relative Value	17	15	-2	-2	0	0
Market Neutral	15	15	0	-1	0	1
Other	101	135	34	18	1	17
<b>Total</b>	<b>744</b>	<b>853</b>	<b>109</b>	<b>23</b>	<b>2</b>	<b>88</b>

<sup>13</sup> Calculated as 2012 Ending Net Assets minus 2011 Opening Net Assets

<sup>14</sup> Calculated as 2012 Subscriptions minus 2012 Redemptions.

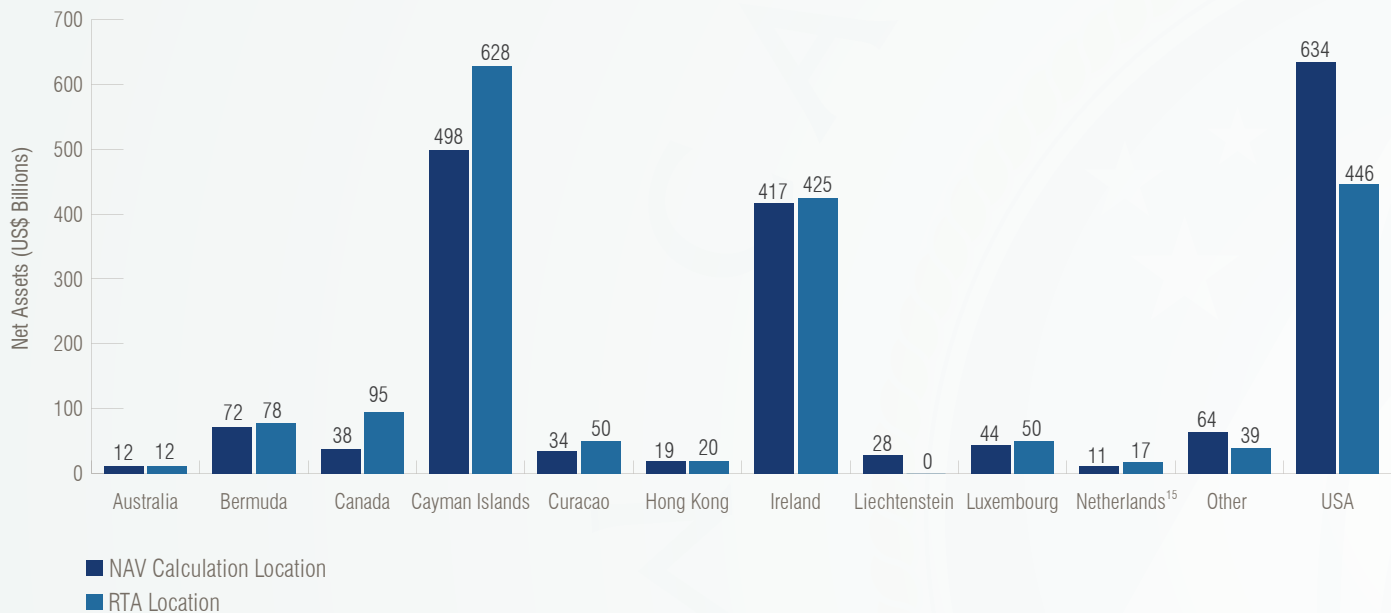
# STATISTICAL STAND-ALONE ANALYSIS



## FUND ADMINISTRATION LOCATION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

The below data shows that during 2012, the USA remained the leading fund administration location for Net Asset Value (NAV) calculation services, accounting for approximately 34% or US\$634 billion of the net assets of funds that filed a FAR for 2012. The Cayman Islands was the leading provider of Registrar and Transfer Agency (RTA) services among the funds that filed a 2012 FAR, accounting for approximately 34% or US\$628 billion of the net assets of funds. The USA, Cayman Islands, and Ireland combined accounted for 83% or US\$1,549 billion of NAV calculation services and 80% or US\$1,499 billion of RTA services for funds that filed a FAR for 2012.

Figure 19



NAV Calculation Location	Net Assets (US\$ Billions)	Percentage	RTA Location	Net Assets (US\$ Billions)	Percentage
USA	634	34%	Cayman Islands	628	34%
Cayman Islands	498	27%	USA	446	24%
Ireland	417	22%	Ireland	425	22%
Bermuda	72	4%	Canada	95	5%
Luxembourg	44	2%	Bermuda	78	4%
Canada	38	2%	Curacao	50	3%
Curacao	34	2%	Luxembourg	50	3%
Liechtenstein	28	2%	Hong Kong	20	1%
Hong Kong	19	1%	Netherlands	17	1%
Australia	12	1%	Australia	12	1%
Other	64	3%	Other	39	2%
<b>Total</b>	<b>1,860</b>	<b>100%</b>	<b>Total</b>	<b>1,860</b>	<b>100%</b>

Top five USA states: Massachusetts (295), New York (135), New Jersey (53), Pennsylvania (32), Illinois (27) other USA states (92)

Top five USA states: Massachusetts (244), New York (97), Pennsylvania (25), Minnesota (23), Connecticut (14), other USA states (43)

<sup>15</sup> While the Netherlands is a top ten location for RTA, it is the only location not also a top ten location for NAV calculation.



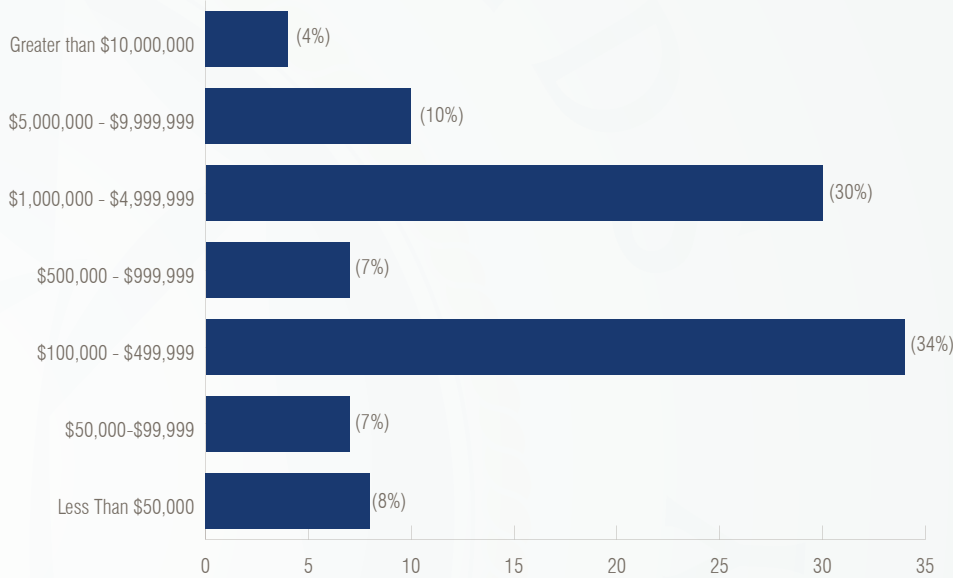


# STATISTICAL STAND-ALONE ANALYSIS

## MINIMUM INITIAL SUBSCRIPTION AMOUNT

The majority of funds regulated by CIMA are investment funds that cater to sophisticated, high net-worth individuals or institutional investors. The minimum initial subscription amount required by CIMA for registered funds is US\$100,000. Of the regulated funds that filed a FAR with CIMA for 2012, 44% require a minimum initial investment of US\$1,000,000 or greater.

Figure 20



Minimum Initial Subscription Amount (US\$)	2012
Greater than \$10,000,000	4%
\$5,000,000 - \$9,999,999	10%
\$1,000,000 - \$4,999,999	30%
\$500,000 - \$999,999	7%
\$100,000 - \$499,999	34%
\$50,000 - \$99,999	7%
Less Than \$50,000	8%
<b>Total</b>	<b>100%</b>

# GLOSSARY OF TERMS



**Asset Allocation** – the process of dividing investments among different kinds of assets/liabilities, such as private or publicly traded equities, bonds, currencies, real estate, derivative securities, and over-the-counter contracts.

**Cayman Islands Monetary Authority (CIMA)** – was established as a body corporate under The Monetary Authority Law (2013 Revision). CIMA has four principal functions: 1) Monetary - the issue and redemption of Cayman Islands currency and the management of currency reserves, 2) Regulatory - the regulation and supervision of financial services, the monitoring of compliance with money laundering regulations, the issuance of a regulatory handbook on policies and procedures and the issuance of rules and statements of principle and guidance, 3) Cooperative - the provision of assistance to overseas regulatory authorities, including the execution of memoranda of understanding to assist with consolidated supervision, 4) Advisory - and the provision of advice to the government on monetary, regulatory and cooperative matters.

**Commodity Strategy** – a strategy that invests in commodity securities, usually through futures contracts. The underlying asset or liability in a commodity derivative security is a future quantity of a physical substance, such as food, grains, and metals, which two parties have agreed to trade at a predetermined price.

**Distressed Debt Strategy** – a strategy that invests in the security of a company undergoing or expected to undergo bankruptcy or restructuring in an effort to avoid insolvency.

**Dividends/Distributions** – a payment of a portion of a hedge fund's net asset or equity to the shareholders, declared by the fund's board of directors.

**Emerging Markets Strategy** – a strategy that invests in the financial markets of developing countries, usually in small markets with short operating histories.

**E-Reporting** – a secure, web-based system that allows regulated hedge funds to electronically submit a FAR along with a copy of their annual audited financial statements.

**Event Driven Strategy** – a strategy that seeks to exploit relative mispricing between securities whose issuers are involved in mergers, divestitures, restructurings or other corporate events.

**Exempted Company** – a company carrying on business activities primarily outside of the Cayman Islands.

**Exempted Limited Partnership** – the Exempted Limited Partnership Law (2013 Revision) makes it possible to form limited partnerships for offshore investors. Such a partnership may not undertake business with the public in the Cayman Islands, other than as necessary for the carrying on of business outside of Cayman. A partner may be a general or limited partner as well as corporations with or without limited liability.

**Exempted Segregated Portfolio Company (SPC)** – a type of exempted company, which allows the separation of assets and liabilities between different segregated portfolios, established under one company.

**Exempted Trust** – as defined under the Trusts Law (2009 Revision) a trust where none of the beneficiaries is not and is not likely at any time to be resident or domiciled in the Islands.

**Fixed Income Strategy** – a strategy that focuses on purchasing securities with specific interest rates, such as a bond, money market instrument, or preferred stock.

**FAR** – Is the Fund Annual Return which is required to be filed with CIMA pursuant to the Mutual Funds (Annual Returns) Regulations, 2006.

**Fund of Funds** – a hedge fund which invests in the shares of other hedge funds. These funds are designed to achieve greater diversification than traditional hedge funds.

**Generally Accepted Accounting Principles (GAAP)** – a widely-accepted set of rules, principles, conventions, standards, and procedures for reporting financial information. US GAAP was established by the Financial Accounting Standards Board (FASB) in the US.

**Global Macro Strategy** – a strategy that invests in securities throughout the world. Additional risks associated with global macro strategies include currency fluctuations and political and economic instability.

**Hedge Fund** – a private investment vehicle, usually owned by high net-worth, sophisticated individuals and institutional investors, which allows for the aggressive use of investment strategies that are typically unavailable to conventional mutual funds, including short selling, leverage, program trading, swaps, arbitrage, and other derivatives. The net assets are managed by an investment manager/ advisor or management company, to which investors in the hedge fund pay a performance fee and management fee.

**International Financial Reporting Standards (IFRS)** – standards and interpretations adopted by the International Accounting Standards Board (IASB).

**Investment Manager** – an individual, group of individuals or entity that provides investment management or advisory services to a hedge fund.

**Investment Strategy** – an investment plan of acquiring and managing assets and liabilities that is designed to effectively achieve the investment objectives of the hedge fund, while taking into account certain investment restrictions and risk tolerance levels.

**Long/Short Strategy** – a strategy that focuses on the current and speculative future prices of a security. Having a long position indicates ownership of a security, and appears as an asset on the balance sheet. A short position is the obligation to sell a certain quantity of a security at a particular price in the future, which appears as a liability on the balance sheet.



# GLOSSARY OF TERMS

**Market Neutral Strategy** – a strategy that aims to produce almost the same profit regardless of market circumstances.

**Master Fund** – as defined under the Mutual Funds Law (2013 Revision) means a company, partnership or unit trust that -

- a) is established or incorporated, as the case may be, in the Islands;
- b) issues equity interests to one or more investors;
- c) holds investments and conducts trading activities for the principal purpose of implementing the overall investment strategy of the regulated feeder fund;
- d) has one or more regulated feeder funds either directly or through an intermediary entity established to invest in the master fund; and
- e) is not licensed under the Banks and Trust Companies Law (2013 Revision) or the Insurance Law, 2010, or registered under the Building Societies Law (2010 Revision) or the Friendly Societies Law (1998 Revision)

**Master/Feeder Fund** – a feeder hedge fund typically raises shareholder capital and invests the proceeds into the shares of a master hedge fund. The master hedge fund conducts the purchasing and selling of portfolio investments using the proceeds received from the feeder fund investor.

**Minimum Initial Subscription** – the minimum amount an investor must initially subscribe into a hedge fund.

**Multi-Strategy** – a combination of investment strategies used within the same hedge fund to manage the assets and liabilities and generally achieve a high degree of diversification.

**Mutual Fund Administrator** – as defined under the Mutual Funds Law (2013 Revision) means a person who conducts mutual fund administration in or from the Cayman Islands and includes a company formed under the Companies Law, a foreign company registered pursuant to Part IX of the Companies Law, a limited partnership registered under the Partnership Law (2002 Revision) or an Exempted Limited Partnership registered under the Exempted Limited Partnership, Law (2012 Revision) that conducts mutual fund administration outside the Cayman Islands.

**Net Asset Value (NAV)** – the monetary market value of a hedge fund, based on the fair value of the underlying assets minus the fair value of the liabilities. Net asset value per share of the fund is calculated as the total net assets divided by the number of shares outstanding.

**NAV Calculation Agent** – an administrative service provider that performs the accounting function, including the compilation and reconciliation of portfolio assets and liability positions and the calculation of the total net asset value of the hedge fund. This also includes verifying, accruing or calculating other operational assets and liabilities, such as cash, prepaid expenses, subscriptions received in advance or fees payable. The NAV calculation agent may also be responsible for independently pricing the investments held in the portfolio, depending on the service contract.

**Net Income** – the amount remaining after expenses and losses are subtracted from a hedge fund's revenue earned over a period. Revenues include realised gains from the purchase/sale of investments, as well as unrealised gains from the change in fair value of investments held in the portfolio. Revenues also include interest and dividends earned from investments held in the portfolio. Expenses include fees payable to the investment manager, such as performance and management fees, legal fees, and administration fees, accounting fees and audit fees. Losses include those realised from the sale of investments and unrealised losses from the change in fair value of investments held in the portfolio.

**Net Subscriptions** – the total value of subscriptions less the total value to redemptions over a period to result in a net increase or net decrease of cash flows resulting from shareholder activity.

**Plain Vanilla Securities** - The most basic or standard version of a financial instrument.

**Relative Value Strategy** – a strategy that measures the value of one security relative to another by comparing the securities using certain measurements, and determining the degree a security is under or over-valued.

**Redemption** – the total or partial return of an investor's ownership stake in the hedge fund in exchange for proceeds calculated at a price equal to the net asset value per share of the hedge fund.

**Registrar and Transfer Agent (RTA)** – an agent that processes shareholder subscriptions, redemptions and transfers. A register of shareholder ownership is also maintained for the fund on an ongoing basis.

**Registrar of Companies** – a government body that is within the Cayman Island's General Registry. Registration is governed by the Companies Law (2013 Revision). It is responsible for registration of companies, limited partnerships and exempted trusts.

**Return on Assets** – a measure of a hedge fund's performance, calculated as the net income of a period divided by the total gross assets, expressed as a percentage.

**Return on Net Assets** – a measure of a hedge fund's performance, calculated as the net income of a period divided by the total net assets, expressed as a percentage.

**Stand-Alone** – A hedge fund that invests mainly in individual securities.

**Subscription** – the act of institutional or individual investors purchasing equity interests of a hedge fund by subscribing an initial minimum monetary amount or subsequent amount in exchange for ownership of shares or units in the entity at a price equal to the net asset value of the hedge fund.

**Total Assets** – the sum of current and long-term assets owned by an entity. Three characteristics of an asset are that its future benefit of contributing to income generation is probable, the entity can control access to the asset or benefit, and a transaction rise to the transfer of ownership, or risks and rewards associated with that ownership, has occurred.

## Scale:

US\$1 Trillion = US\$1,000,000,000,000 US\$1 Billion = US\$1,000,000,000

US\$1 Million = US\$1,000,000



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