

INVESTMENTS STATISTICAL DIGEST 2011



INTRODUCTION

The Cayman Islands Monetary Authority (CIMA) is pleased to release its 2011 Investments Statistical Digest (Statistical Digest). This issue presents the 2011 aggregate statistics gathered from approximately 7,000 regulated funds. The analytical data tables presented in the Statistical Trend Analysis section of the Statistical Digest compare the 2011 figures against 2010.

The significant decline in net income earned by funds is indicative of the challenges faced by the industry in a volatile market. However, on the positive side there has been an increase in subscriptions and a decrease in redemptions over the period. The data also continues to show that smaller funds are the most common type of funds, as well as the dominance of the North American regions as the centres of the hedge funds Investment Managers. Asian centres however have also made significant growth in 2011. The second section of the Statistical Digest presents the Statistical Stand-Alone Analysis, highlighting data from 2011 only.

2011/2010 Statistical Trend Analysis

- 2 Highlights
- 3 Financial Position
- 4 Fund Size by Total Assets
- 5 Investment Strategy
- 6 Asset Allocation
- 7 Investment Manager by Location
- 8 Investment Manager by Region
- 9 Operating Structure
- 9 Accounting Standard
- 9 Legal Structure
- 9 Stock Exchange
- 10 Asset Flows

2011 Statistical Stand-Alone Analysis

- 11 Change Factors in Net Assets
by Investment Strategy
- 12 Fund Administration Location
- 13 Minimum Initial Subscription Amount

- 14 Glossary of Terms

STATISTICAL TREND ANALYSIS

HIGHLIGHTS



Net Assets increase despite prevailing market conditions.

1.798
US\$ Trillion
Net Asset Value

The information presented below captures all funds with a financial year-end within the 2011 and 2010¹ calendar years that filed a Funds Annual Return (FAR) via CIMA's electronic reporting system (E-Reporting). There were 6,917 regulated funds that filed a 2011 FAR, while the 2010 figures represent 6,926 funds that filed a FAR.

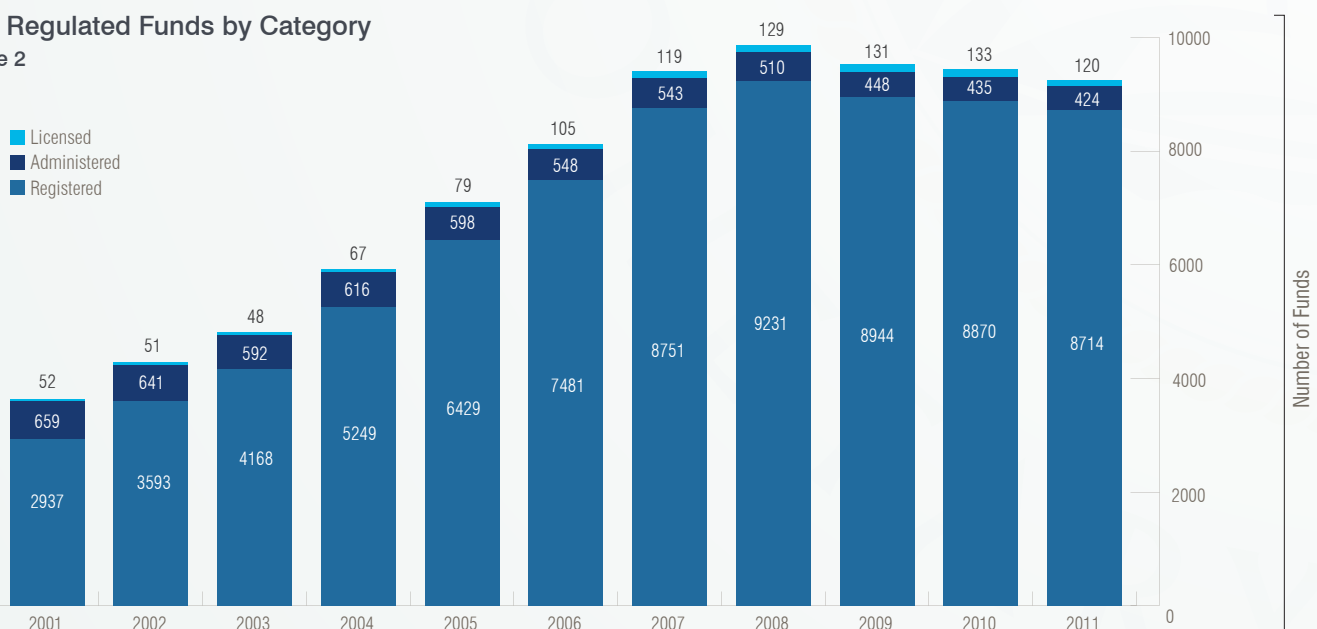
The data collected for 2011 represents approximately 81% of Cayman Islands-regulated funds that had a financial year-end during 2011² and 73% of all funds regulated in the jurisdiction as at December 2011 (see figure 2).

Figure 1

	2011	2010
Net asset value of funds	US\$1.798 trillion	US\$1.728 trillion
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 Registrar and Transfer Agency services by net assets	Cayman Islands	Cayman Islands
Percentage of funds requiring a minimum initial investment of US\$1 million or more	44%	43%
Top two investment strategies utilised	Multi-Strategy (31% of funds) Long / Short Equity (18% of funds)	Multi-Strategy (33% of funds) Long / Short Equity (20% of funds)
Total subscriptions (and redemptions)	US\$687 billion (US\$548 billion)	US\$654 billion (US\$558 billion)
Percentage of funds suspending trading	5%	5%
Total performance fees	US\$9 billion	US\$15 billion
Return on Gross Assets	0.6%	7%
Return on Net Assets	0.8%	10%

Total Regulated Funds by Category

Figure 2



¹ The 2010 comparative figures were taken from the 2010 issue of the Statistical Digest Stand-Alone Analysis section, which can be found on CIMA's website at www.cimoney.com.ky.

² A total of 8,565 funds had a financial year-end that occurred within the 2011 calendar year and thus, were due to file a 2011 FAR via E-Reporting. At the date of compilation of this issue of the Digest, 81% (or 6,917 funds) had filed successfully. Of the remaining 19%, 7% were granted regulatory waivers by CIMA and the remaining 12% are under regulatory review.



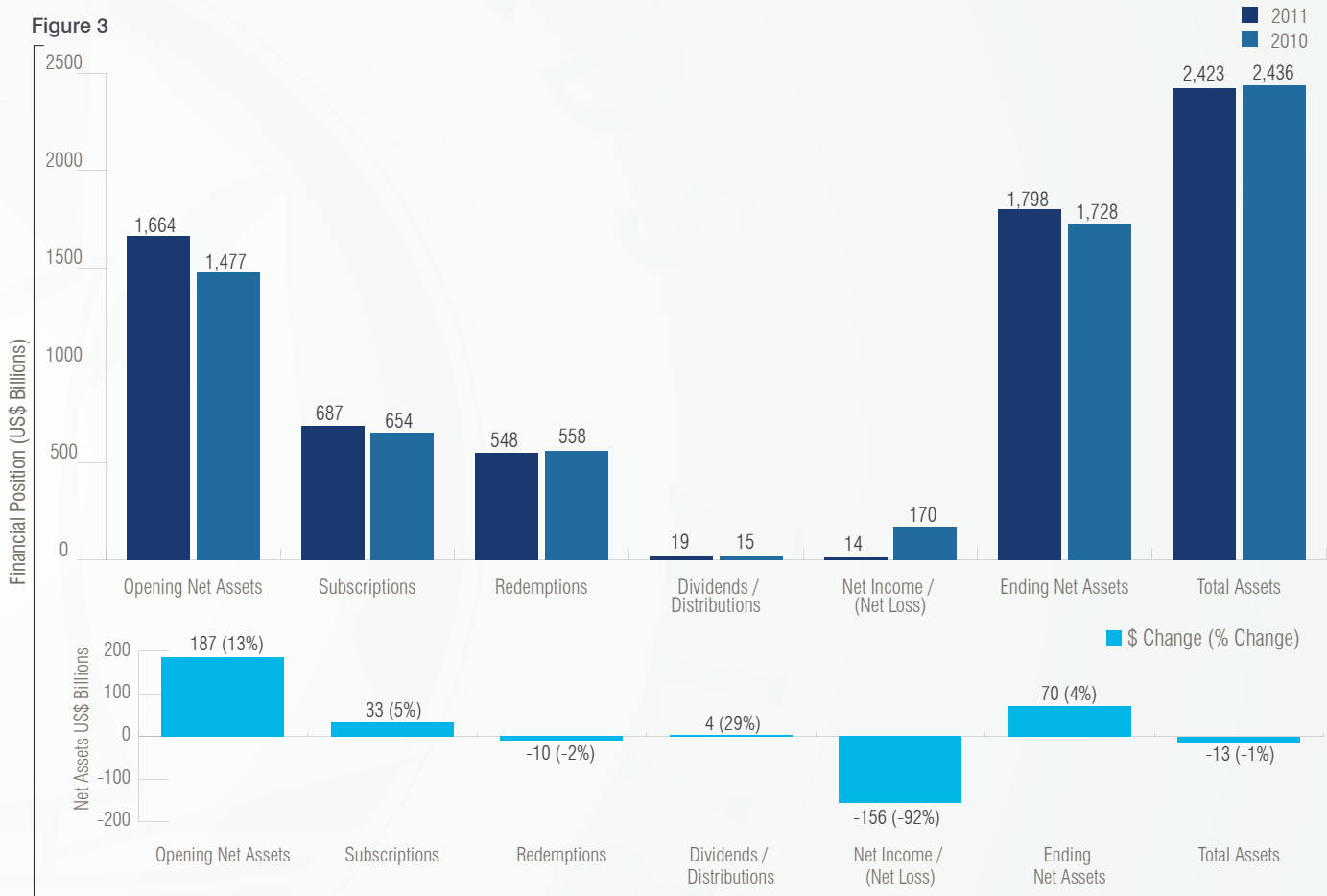
STATISTICAL TREND ANALYSIS

FINANCIAL POSITION

The data in figure 3 illustrates a significant decline in hedge funds' profitability as shown by the decrease in total net income from \$170 billion in 2010 to \$14 billion in 2011. Although the total net income is not as robust as 2010 figures, it still represents a positive return for the industry. Additionally, overall ending net assets managed to increase by 4% from US\$1,728 billion to US\$1,798 billion.

Despite the lower profitability, the net cash inflow (the difference between subscriptions and redemptions) into hedge funds increased from US\$96 billion to US\$139 billion.

Total Assets remained relatively flat (decreasing by 0.5%) to US\$2,423 billion, however Ending Net Assets increased by 4% indicating a better management of the liabilities of funds.



Financial Position (US\$ Billions)	2011	2010	\$ Change	% Change
Opening Net Assets ³	1,664	1,477	187	13%
Subscriptions	687	654	33	5%
Redemptions	548	558	-10	-2%
Dividends / Distributions	19	15	4	29%
Net Income / (Net Loss)	14	170	-156	-92%
Ending Net Assets	1,798	1,728	70	4%
Total Assets	2,423	2,436	-13	-0.5%
Return on Gross Assets	0.6%	7%		
Return on Net Assets	0.8%	10%		

³ The decrease from the 2010 ending net assets to the 2011 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2011, resulting in a different set of funds filing a 2011 FAR.

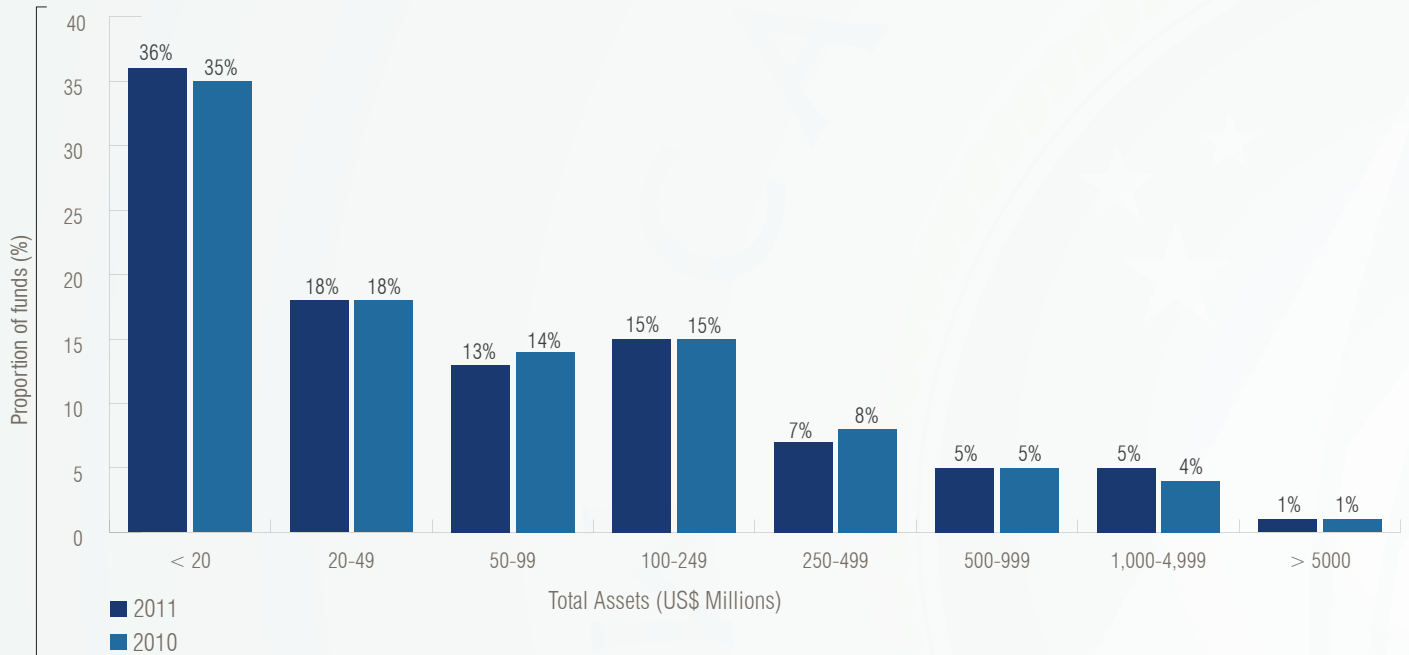
STATISTICAL TREND ANALYSIS

FUND SIZE BY TOTAL ASSETS



Based on their total assets, no substantial change has been observed in fund sizes. Smaller funds with assets less than US\$20 million continue to be the most common size of funds in the funds industry, accounting for 36% of the funds that filed a FAR in 2011. In total, 67% of all funds that filed a 2011 FAR had total assets of US\$100 million or less.

Figure 4



Fund Size (US\$ Millions)	2011	2010
< 20	36%	35%
20-49	18%	18%
50-99	13%	14%
100-249	15%	15%
250-499	7%	8%
500-999	5%	5%
1000-4999	5%	4%
> 5000	1%	1%
Total	100%	100%



STATISTICAL TREND ANALYSIS

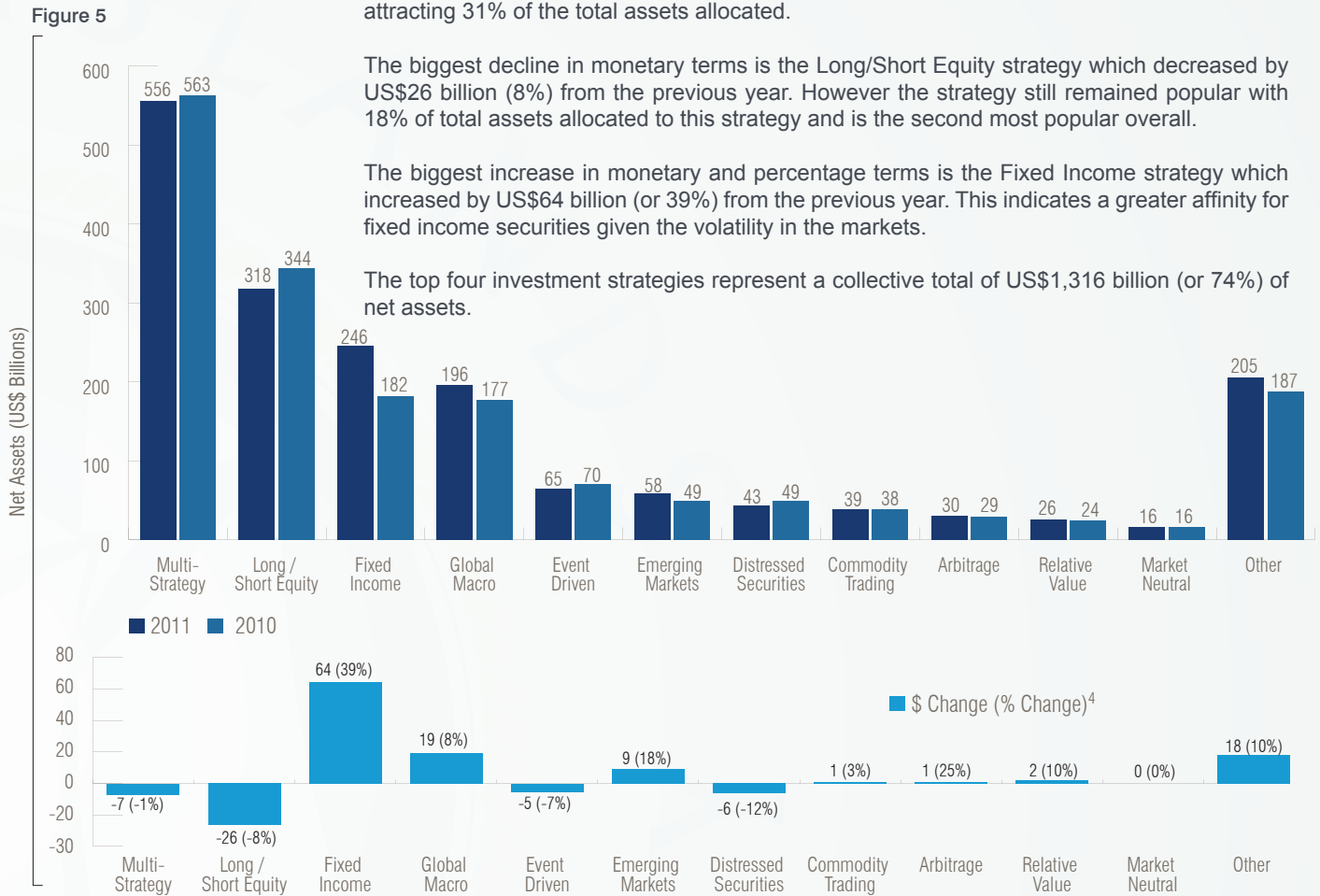
INVESTMENT STRATEGY

The Multi-Strategy investment strategy continues to be the most popular of the strategies by attracting 31% of the total assets allocated.

The biggest decline in monetary terms is the Long/Short Equity strategy which decreased by US\$26 billion (8%) from the previous year. However the strategy still remained popular with 18% of total assets allocated to this strategy and is the second most popular overall.

The biggest increase in monetary and percentage terms is the Fixed Income strategy which increased by US\$64 billion (or 39%) from the previous year. This indicates a greater affinity for fixed income securities given the volatility in the markets.

The top four investment strategies represent a collective total of US\$1,316 billion (or 74%) of net assets.



Net Assets per Investment Strategy	2011 Net Assets (US\$ Billions)	2011 % Allocated ⁵	2010 Net Assets (US\$ Billions)	2010 % Allocated ⁵	\$ Change ⁴ (US\$ Billions)
Multi-Strategy	556	31%	563	33%	-7
Long/Short Equity	318	18%	344	20%	-26
Fixed Income	246	14%	182	10%	64
Global Macro	196	11%	177	10%	19
Event Driven	65	4%	70	4%	-5
Emerging Markets	58	3%	49	3%	9
Distressed Securities	43	2%	49	3%	-6
Commodity Trading	39	2%	38	2%	1
Arbitrage	30	2%	29	2%	1
Relative Value	26	1%	24	1%	2
Market Neutral	16	1%	16	1%	0
Other	205	11%	187	11%	18
Total	1,798	100%	1,728	100%	70

⁴ The percentage change in net assets allocated to an investment strategy from 2011 compared to 2010.

⁵ The percentage of total net assets allocated to the investment strategy during the year specified.

STATISTICAL TREND ANALYSIS

ASSET ALLOCATION

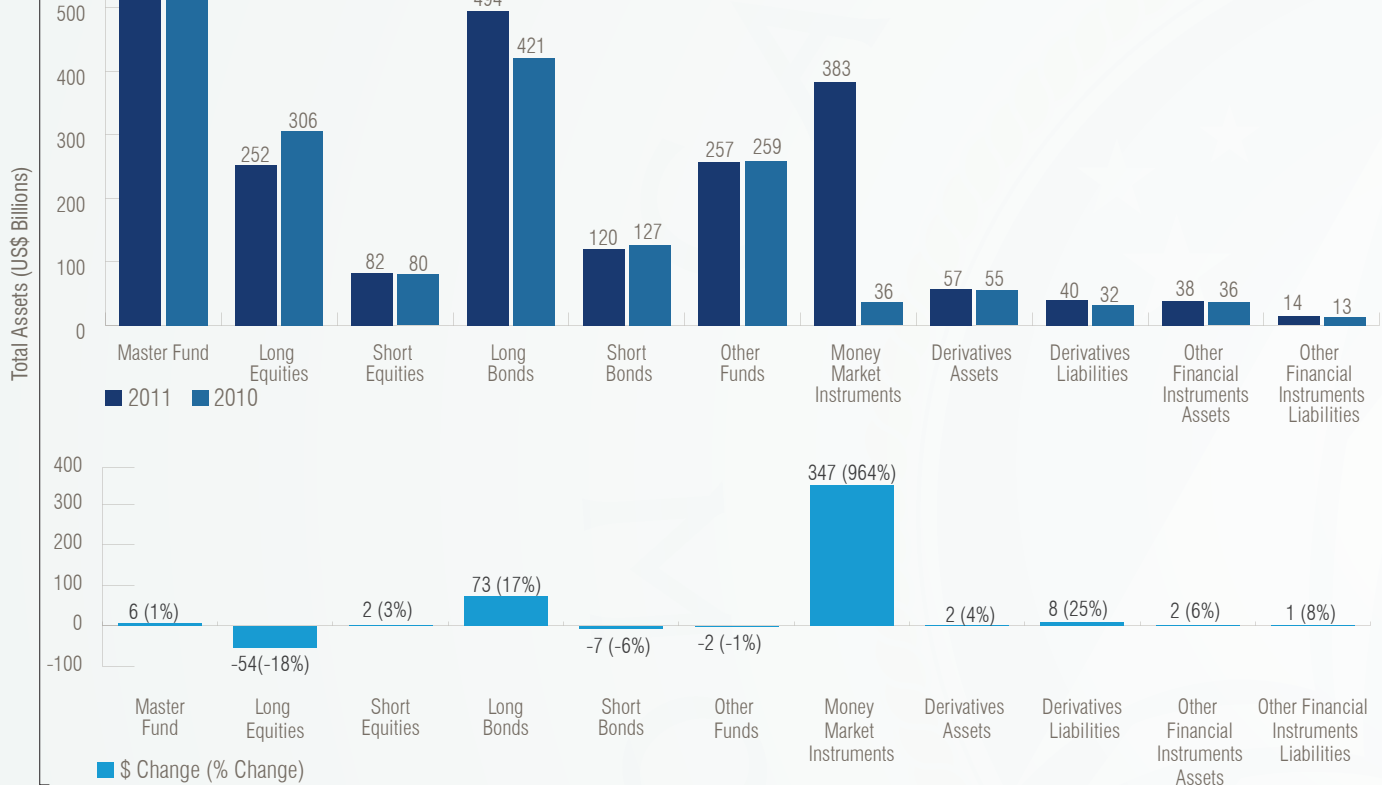


In 2011, investments in Money Market Instruments showed a dramatic increase of US\$347 billion (or 964%). This increase indicated a greater desire for liquidity and shorter term risk taking by investors and investment managers.

Figure 6

In contrast to the 2010 data, asset allocations to Long Equities experienced a significant decline, with a decrease of US\$54 billion (or 18%) in 2011. This is indicative of the high volatility experienced in the equity markets during 2011.

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 94% of funds opted to complete the section for 2011.



Asset Allocation	2011 Value (US\$ Billions)	2011 % Allocated	2010 Value (US\$ Billions)	2010 % Allocated	\$ Change (US\$ Billions)
Master Fund	793	31%	787	36%	6
Long Equities	252	10%	306	14%	-54
Short Equities	82	3%	80	4%	2
Long Bonds	494	19%	421	19%	73
Short Bonds	120	5%	127	6%	-7
Other Funds	257	10%	259	12%	-2
Money Market Instruments	383	15%	36	2%	347
Derivatives Assets	57	2%	55	3%	2
Derivatives Liabilities	40	2%	32	1%	8
Other Financial Instruments Assets	38	2%	36	2%	2
Other Financial Instruments Liabilities	14	1%	13	1%	1
Total	2,530	100%	2,152	100%	378

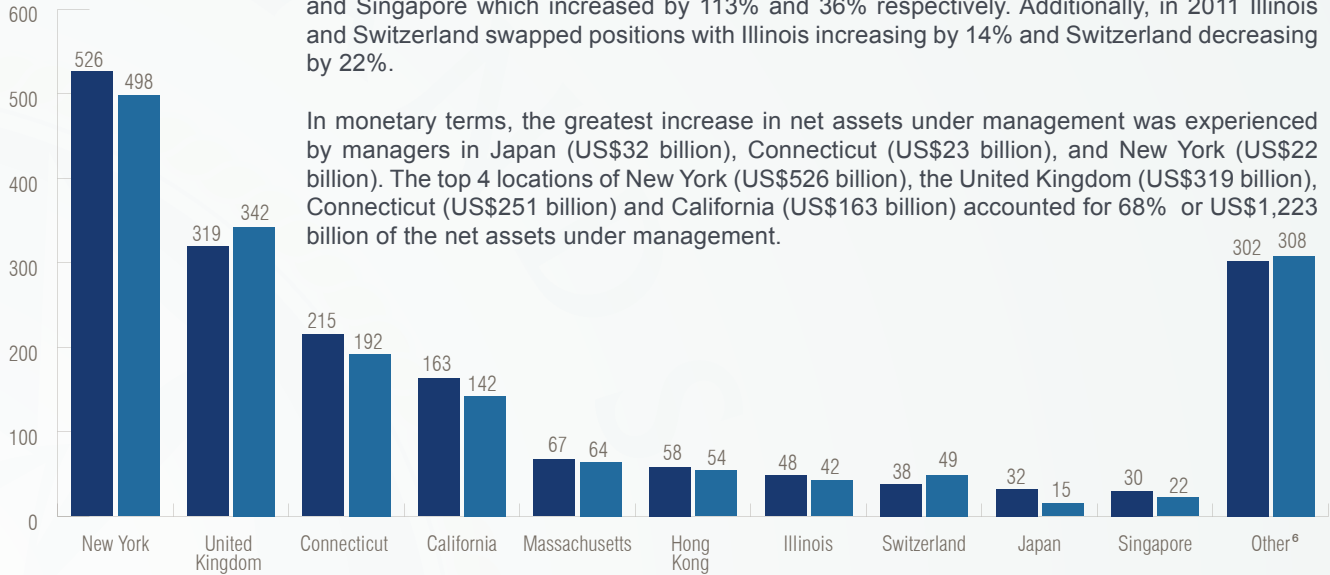


STATISTICAL TREND ANALYSIS

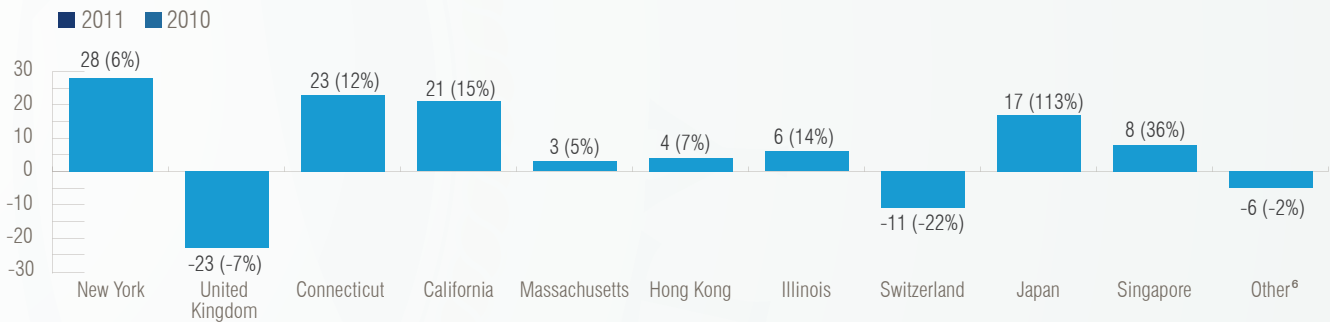
NET ASSETS BY INVESTMENT MANAGER LOCATION

The table identifies the top ten investment manager locations in 2011, compared to 2010, as measured by net assets held by investment managers in those locations. The top six locations remain in the same position as in 2010, however there have been a number of changes in the locations that occupy positions seven to ten. Liechtenstein and Minnesota decreased by 16% and 13% respectively and dropped out of the top ten locations. They were replaced by Japan and Singapore which increased by 113% and 36% respectively. Additionally, in 2011 Illinois and Switzerland swapped positions with Illinois increasing by 14% and Switzerland decreasing by 22%.

Figure 7



In monetary terms, the greatest increase in net assets under management was experienced by managers in Japan (US\$32 billion), Connecticut (US\$23 billion), and New York (US\$22 billion). The top 4 locations of New York (US\$526 billion), the United Kingdom (US\$319 billion), Connecticut (US\$251 billion) and California (US\$163 billion) accounted for 68% or US\$1,223 billion of the net assets under management.



Investment Manager Location	2011 Net Assets (US\$ Billions)	2011 % Allocated	2010 Net Assets (US\$ Billions)	2010 % Allocated	\$ Change (US\$ Billions)
New York	526	29%	498	29%	28
United Kingdom	319	18%	342	20%	-23
Connecticut	215	12%	192	11%	23
California	163	9%	142	8%	21
Massachusetts	67	4%	64	4%	3
Hong Kong	58	3%	54	3%	4
Illinois	48	3%	42	3%	6
Switzerland	38	2%	49	2%	-11
Japan	32	2%	15	1%	17
Singapore	30	2%	22	1%	8
Other ^e	302	16%	308	18%	-6
Total	1,798	100%	1,728	100%	70

^e Investment manager locations that accounted for 1% or less of the aggregate net assets were grouped as 'Other' and thus are considered individually insignificant.

STATISTICAL TREND ANALYSIS

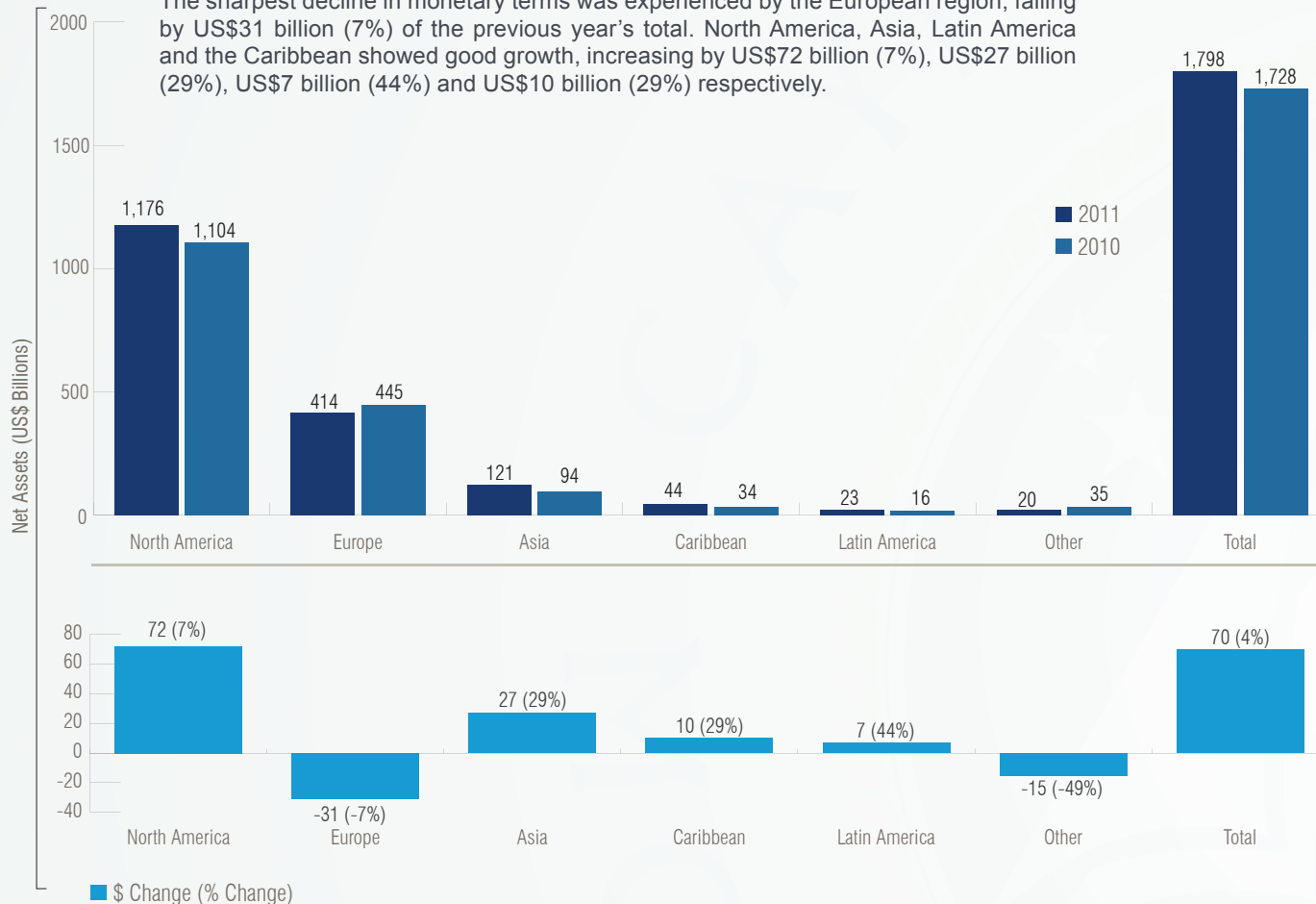
NET ASSETS BY INVESTMENT MANAGER REGION



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

Figure 8

The sharpest decline in monetary terms was experienced by the European region, falling by US\$31 billion (7%) of the previous year's total. North America, Asia, Latin America and the Caribbean showed good growth, increasing by US\$72 billion (7%), US\$27 billion (29%), US\$7 billion (44%) and US\$10 billion (29%) respectively.



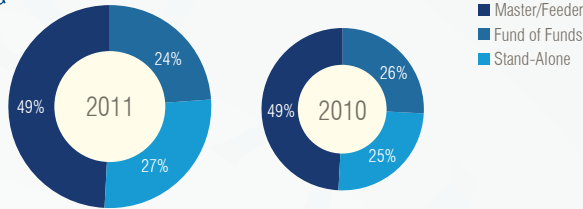
Investment Manager Region	2011 Net Assets (US\$ Billions)	2011 % Allocated	2010 Net Assets (US\$ Billions)	2010 % Allocated	\$ Change (US\$ Billions)
North America	1,176	66%	1,104	64%	72
Europe	414	23%	445	26%	-31
Asia	121	7%	94	5%	27
Caribbean	44	2%	34	2%	10
Latin America	23	1%	16	1%	7
Other	20	1%	35	2%	-15
Total	1,798	100%	1,728	100%	70

North America - Canada, USA
 Europe - Austria, Denmark, Finland, France, Germany, Guernsey, Ireland, Isle of Man, Italy, Jersey, Luxembourg, Monaco, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom
 Caribbean - Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands
 Asia - China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, Thailand
 Latin America - Argentina, Brazil, Mexico
 Other - Australia, Bahrain, Israel, Kuwait, Mauritius, New Zealand, Saudi Arabia, South Africa, United Arab Emirates



STATISTICAL TREND ANALYSIS

Figure 9

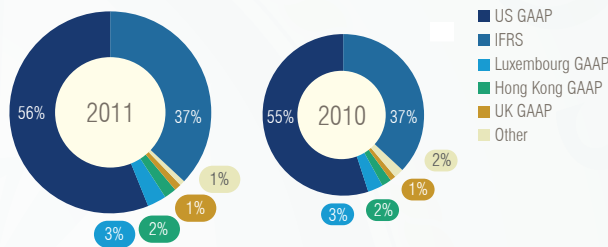


Operating Structure

Operating Structure	2011	2010
Master/Feeder	49%	49%
Fund of Funds	24%	26%
Stand-Alone	27%	25%

Year on year, the breakdown of funds across the three main operating structures remained relatively unchanged. Of the funds that filed a FAR for 2011, 49% reported using a master/feeder structure, 24% a fund of funds structure and the remaining 27% were stand-alone funds.

Figure 10

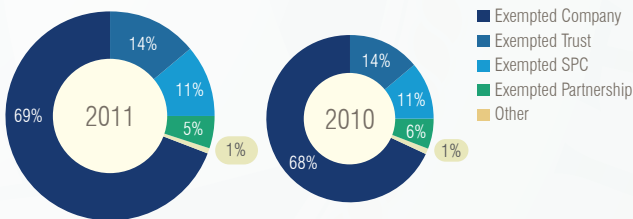


Accounting Standard

Accounting Standard	2011	2010
US GAAP	56%	55%
IFRS	37%	37%
Luxembourg GAAP	3%	3%
Hong Kong GAAP	2%	2%
UK GAAP	1%	1%
Other	1%	2%

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 2011 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 11

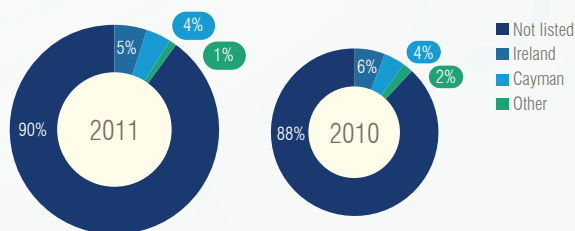


Legal Structure

Legal Structure	2011	2010
Exempted Company	69%	68%
Exempted Trust	14%	14%
Exempted SPC	11%	11%
Exempted Partnership	5%	6%
Other	1%	1%

Statistics on the legal structure used by funds remained relatively unchanged from 2010. The Exempted Company remains the most popular legal structure used by funds. Of the funds that filed a 2011 FAR, 69% were Exempted Companies, 14% were Exempted Trusts, 11% were Exempted Segregated Portfolio Companies (SPC) and the remaining 6% were attributed to Exempted Partnerships and other legal structures.

Figure 12



Stock Exchange

Stock Exchange	2011	2010
Not listed	90%	88%
Ireland	5%	6%
Cayman	4%	4%
Other	1%	2%

Of the funds that filed a 2011 FAR, a total of 90% did not list their equity interests on a recognised stock exchange, which was relatively consistent with the results in 2010. Additionally, there was a slight reduction, from 6% to 5%, 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

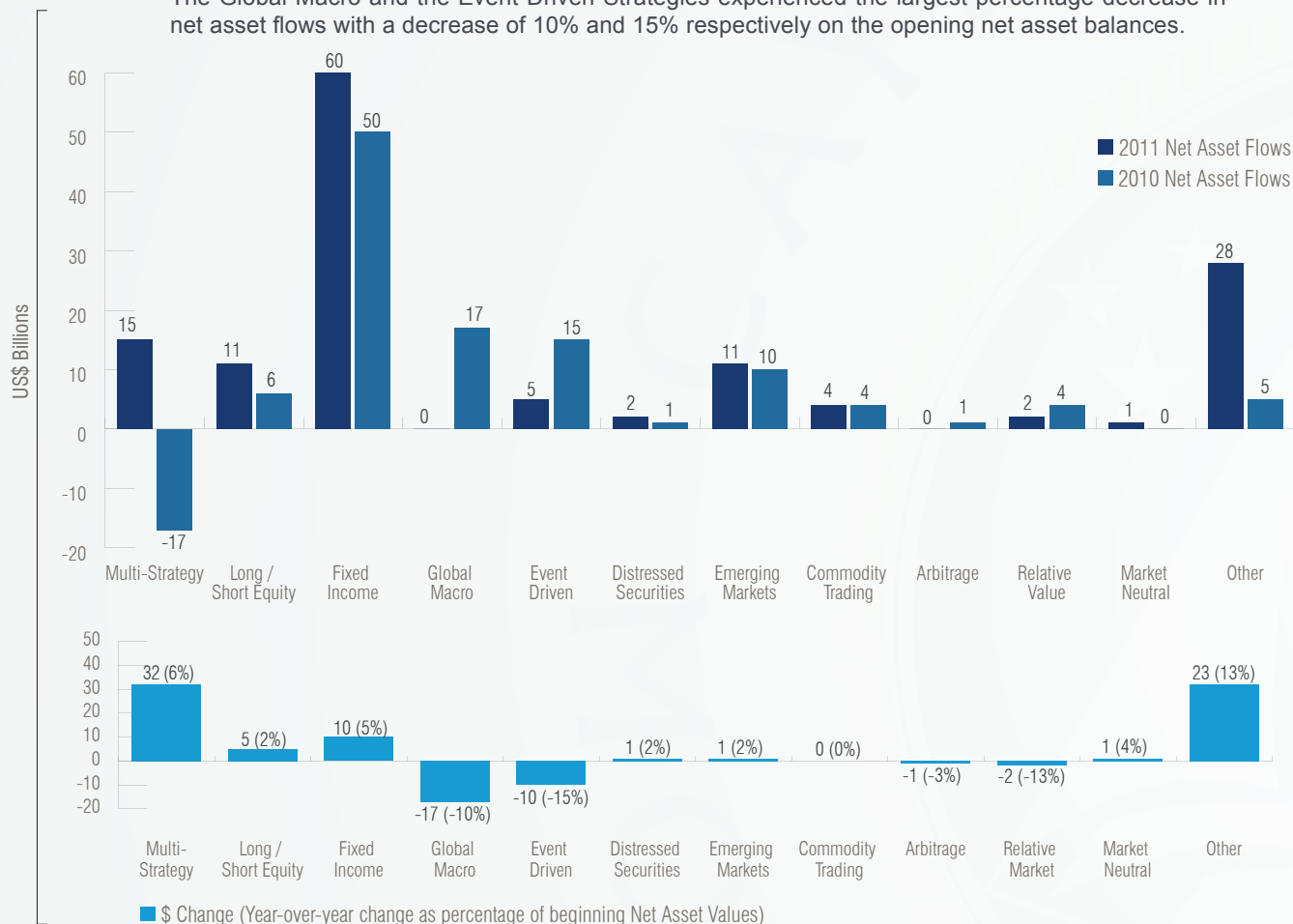


In 2011, all fund strategies experienced positive net asset flows. The positive net asset flows were accomplished by a combination of increased subscriptions and reduced redemptions.

The Fixed Income strategy continued to be the strategy attracting the greatest net asset flow with US\$60 billion being allocated to this strategy in 2011. The Multi-Strategy investment strategy also reversed negative outflows from 2010 and improved by 6% on the beginning net asset balance.

Figure 13

The Global Macro and the Event Driven Strategies experienced the largest percentage decrease in net asset flows with a decrease of 10% and 15% respectively on the opening net asset balances.



Investment Strategy	2011 Subscriptions (US\$ Billions)	2011 Redemptions (US\$ Billions)	2011 Net Asset Flows (US\$ Billions)	2010 Subscriptions (US\$ Billions)	2010 Redemptions (US\$ Billions)	2010 Net Asset Flows (US\$ Billions)	Year-over-year Change in Net Asset Flows (US\$ Billions)
Multi-Strategy	155	140	15	144	161	-17	32
Long / Short Equity	101	90	11	97	91	6	5
Fixed Income	124	64	60	115	65	50	10
Global Macro	55	55	0	56	39	17	-17
Event Driven	25	20	5	32	17	15	-10
Distressed Securities	11	9	2	14	13	1	1
Emerging Markets	23	12	11	18	8	10	1
Commodity Trading	16	12	4	15	11	4	0
Arbitrage	11	11	0	11	10	1	-1
Relative Value	7	5	2	11	7	4	-2
Market Neutral	5	4	1	5	5	0	1
Other	154	126	28	136	131	5	23
Total	687	548	139	654	558	96	43

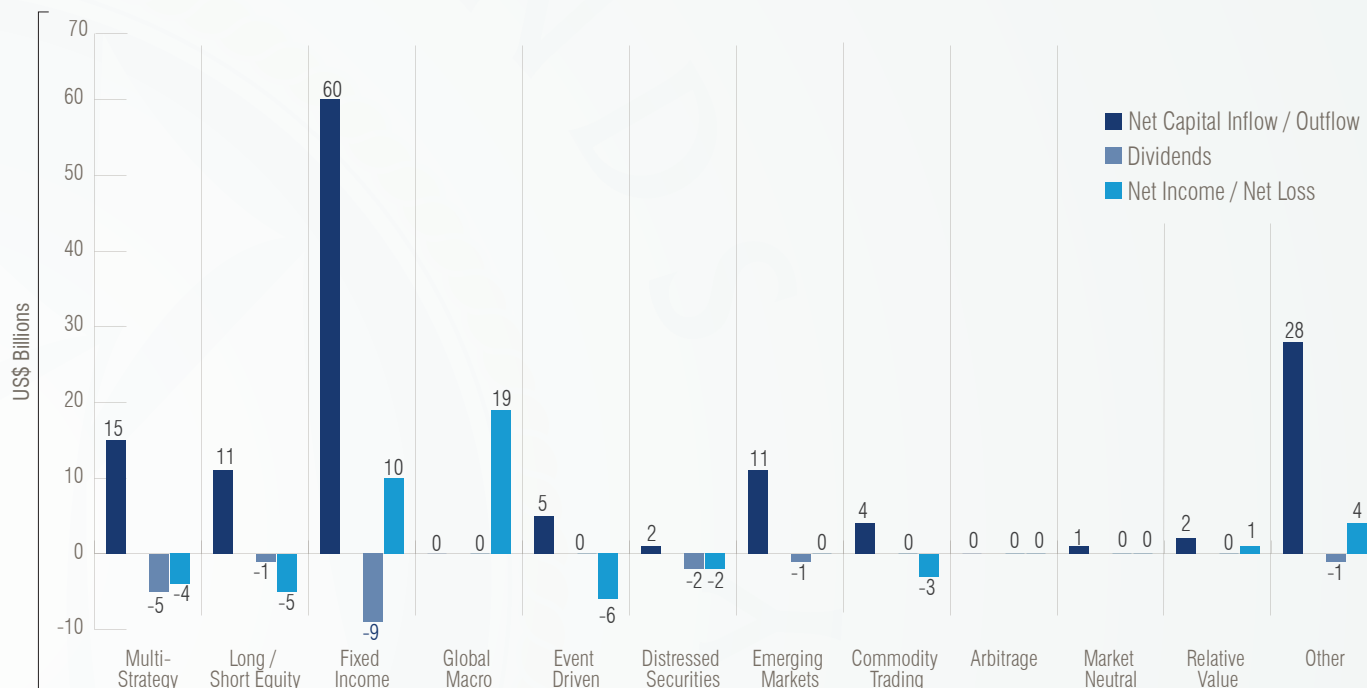


STATISTICAL STAND-ALONE ANALYSIS

CHANGE FACTORS IN NET ASSETS BY INVESTMENT STRATEGY

As experienced in 2010, total net assets across most of the major investment strategies continued to increase during 2011. The increase was mainly due to positive capital asset flows as net income was relatively flat during the year. Relatively, based on beginning net assets, the largest net capital inflows were seen in the Fixed Income, Emerging Markets, Commodity Trading and Other Strategies. The Dividends paid to investors in the last year increased only slightly to US\$19 billion from US\$15 billion in 2010. Performance across all strategies varied, however, the Global Macro investment strategy showed significantly better results than most other.

Figure 14



Investment Strategy	Opening Net Assets ⁷	Ending Net Assets	Change in Net Assets ⁸	Net Capital Inflow / Outflow ⁹	Dividends	Net Income / Net Loss
Multi-Strategy	550	556	6	15	-5	-4
Long / Short Equity	313	318	5	11	-1	-5
Fixed Income	185	246	61	60	-9	10
Global Macro	177	196	19	0	0	19
Event Driven	66	65	-1	5	0	-6
Distressed Securities	45	43	-2	2	-2	-2
Emerging Markets	48	58	10	11	-1	0
Commodity Trading	38	39	1	4	0	-3
Arbitrage	30	30	0	0	0	0
Market Neutral	15	16	1	1	0	0
Relative Value	23	26	3	2	0	1
Other	174	205	31	28	-1	4
Total	1,664	1,798	134	139	-19	14

⁷ The decrease from the 2010 ending net assets to the 2011 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2011, resulting in a different set of funds filing a 2011 FAR.

⁸ Calculated as 2011 Ending Net Assets minus 2011 Opening Net Assets. | ⁹ Calculated as 2011 Subscriptions minus 2011 Redemptions.

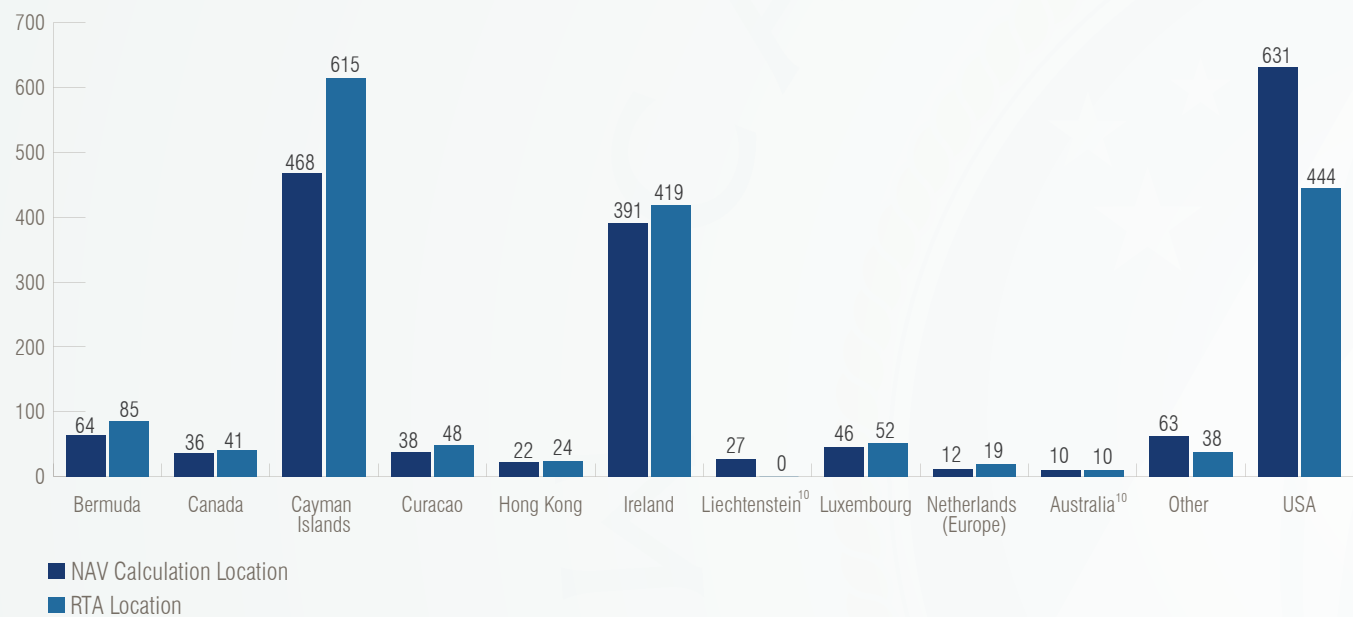
STATISTICAL STAND-ALONE ANALYSIS

FUND ADMINISTRATION LOCATION



The data below shows that during 2011, the USA remained the leading fund administration location for Net Asset Value (NAV) calculation services, accounting for 35% or US\$631 billion of the net assets of funds that filed a FAR for 2011. The Cayman Islands continues to be the leading provider of Registrar and Transfer Agency (RTA) services among the funds that filed a 2011 FAR, accounting for 34% or US\$615 billion of the net assets of funds. The USA, Cayman Islands, and Ireland combined accounted for 83% or US\$1,490 billion of NAV calculation services and 82% or US\$1,478 billion of RTA services for funds that filed a FAR for 2011. In contrast to last year, Australia has made the list of the leading fund administration locations for RTA services, accounting for US\$10 billion of the net assets of funds that filed a FAR for 2011.

Figure 15



NAV Calculation Location	Net Assets (US\$ Billions)	Percentage	RTA Location	Net Assets (US\$ Billions)	Percentage
USA	631	35%	Cayman Islands	615	34%
Cayman Islands	468	26%	USA	444	25%
Ireland	391	22%	Ireland	419	23%
Bermuda	64	4%	Bermuda	85	5%
Luxembourg	46	3%	Luxembourg	52	3%
Curacao ¹¹	38	2%	Curacao ¹¹	48	3%
Canada	36	2%	Canada	41	2%
Liechtenstein	27	1%	Hong Kong	24	1%
Hong Kong	22	1%	Netherlands	19	1%
Netherlands	12	1%	Australia	10	1%
Other	63	3%	Other	38	2%
Total	1,798	100%	Total	1,798	100%

¹⁰ Top five USA states: Massachusetts (289), New York (125), New Jersey (58), Pennsylvania (32), Connecticut (28), other USA states (99)

¹⁰ Top five USA states: Massachusetts (243), New York (88), Pennsylvania (26), Minnesota (24), Connecticut (18), other USA states (45)

¹⁰ Net Assets are presented for Liechtenstein and Australia in the graph, however they are not one of the top ten locations for NAV calculation.

¹¹ The Netherland Antilles was dissolved in 2010 into its constituent islands. Each of the islands became an autonomous region within the Kingdom of the Netherlands. As such the data was updated to reflect the dissolution and Curacao replaced the Netherland Antilles in the data.

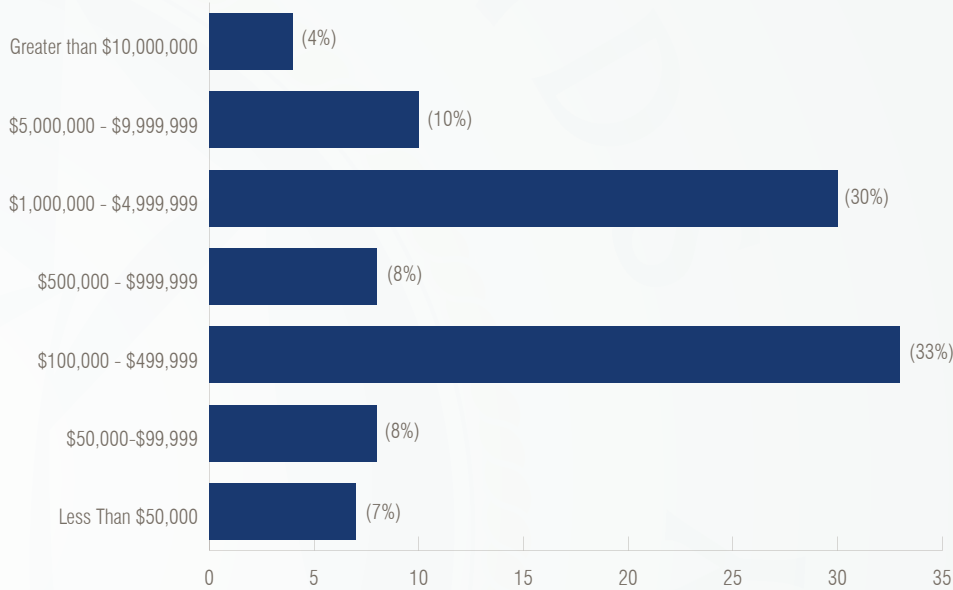


STATISTICAL STAND-ALONE ANALYSIS

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 2011, 44% required a minimum initial investment of US\$1,000,000 or greater. A total of 33% of the regulated funds required a minimum initial investment of between US\$100,000 and US\$499,999.

Figure 16



Minimum Initial Subscription Amount (US\$)	2011
Greater than \$10,000,000	4%
\$5,000,000 - \$9,999,999	10%
\$1,000,000 - \$4,999,999	30%
\$500,000 - \$999,999	8%
\$100,000 - \$499,999	33%
\$50,000 - \$99,999	8%
Less Than \$50,000	7%
Total	100%

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 (2011 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, that two parties have agreed to trade at a predetermined price.

Corporate Governance – the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled and includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The objective is to ensure accountability of actions and decisions made during the course of business.

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 mispricings 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 (2012 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 Funds 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 includes 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.

Industry Best Practice – a framework or methodology that through extensive analytical research and testing trials, has delivered successful outcomes, and is proven to reliably lead to a most-desired result each time.

Industry Standard – an adopted policy or procedure that fulfils the expectations held by industry stakeholders regarding an entity's use of resources, operational policies or procedures or quality of end-product or service offered.

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



GLOSSARY OF TERMS

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

Investment Strategy – an investment plan of acquiring and managing the 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.

Market Neutral Strategy – a strategy that aims to produce almost the same profit regardless of market circumstances. 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 (2012 Revision) means a person who conducts mutual fund administration in or from the 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 or an Exempted Limited Partnership registered under the Exempted Limited Partnership Law that conducts mutual fund administration outside the Islands.

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 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.

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.

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 (2012 Revision). It is responsible for registration of companies, limited partnerships and exempted trusts.

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.

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



Copyright (c) 2013 by the Cayman Islands Monetary Authority. All text, designs, graphics and other works in this document are the copyrighted works of the Cayman Islands Monetary Authority. All rights reserved. Any redistribution or reproduction, in whole or in part, without the permission of the Cayman Islands Monetary Authority, is strictly prohibited.

Cayman Islands Monetary Authority
PO Box 10052
80e Shedden Road
Elizabethan Square
Grand Cayman KY1 - 1001
CAYMAN ISLANDS

General Office: 345-949-7089

Fax: 345-949-2532

www.cimoney.com.ky