



2016

INVESTMENTS STATISTICAL DIGEST

INTRODUCTION

At the end of 2016, there were 10,586 funds registered/licensed under the Mutual Funds Law (2015 Revision), 354 fewer than in 2015. This represents a decline of 3.2% compared to 2015. Master Funds were the only subcategory of funds to report an increase in 2016. See Figure 2.

Number of Funds:

Master Funds	2,840	(2015: 2,805)
Registered Funds	7,293	(2015: 7,654)
Administered Funds	363	(2015: 380)
Licensed Funds	90	(2015: 101)

Total and net assets increased by US\$435 billion and US\$17 billion, respectively, notwithstanding the decrease in the number of funds. There was an increase of 67% in net income, with the best performance reflected in Registered Funds and Master Funds. A 26% decrease in performance fees in 2016 reflects the power of consumers to select funds that best suit their needs and at the same time save on expenses paid to the Investment Manager. As technology and investor expectations disrupt the global fund industry, CIMA's supervision of the sector will continue to evolve and address the changes with laws and regulations in keeping with international standards, ensuring that investors and investment managers continue to select the Cayman Islands as jurisdiction of choice.

Total Assets:	US\$6.142 trillion	(2015: US\$5.707 trillion)
Net Asset Value (NAV):	US\$3.592 trillion	(2015: US\$3.575 trillion)
Net Income:	US\$127 billion	(2015: US\$76 billion)

There was a net capital outflow during the year as redemptions exceeded subscriptions by US\$86 billion. Investors shed risky assets amid continued global growth fears and falling commodity prices. However, this unease was offset by strong labor market data and an increase in interest rates which helped calm concerns about the United States (US) economic recovery leading most assets to rebound in 2016. Improved financial performance is also due to the US stock market growth, the prospect of large scale deregulation, tax reform and the general pro-business stance of the new US administration.

The management and administration of funds continued to be dominated by the United States and the Cayman Islands, respectively. Investment managers in the USA managed 70% or 5,182 funds with a NAV of US\$2.526 trillion with Delaware firms managing 2,067 (2015: 1,842) funds with a total NAV of US\$1.098 trillion (2015: US\$1.018 trillion) and remained as the top investment manager location for a second straight year. Entities in the Cayman Islands provided NAV calculation services for 3,160 funds or 35% and RTA services for 3,508 funds or 38% of all Cayman funds in 2016.

As in the prior years, Multi-Strategy at 28% and Long/Short Equity at 18% of total NAV were the main investment strategies utilised by Cayman funds.





Table of Contents

Highlights.....	3
Financial Position - All Funds.....	4
Asset Allocation - All Funds.....	5
Financial Position & Asset Allocation - Registered Funds.....	6
Financial Position & Asset Allocation - Master Funds.....	7
Financial Position & Asset Allocation - Administered Funds.....	8
Financial Position & Asset Allocation - Licensed Funds.....	9
Portfolio Investments by Jurisdiction.....	10-11
Top Ten Portfolio Investments Jurisdictions.....	12
Legal Holder of Funds.....	13
Investment Strategy.....	14-15
Subscriptions and Redemptions by Investment Strategy.....	16-17
Change in Net Assets, Dividends and Net Income by Investment Strategy.....	18-19
Net Assets by Investment Manager Location - USA.....	20
Net Assets by Investment Manager Location - Other.....	21
Net Asset Value (NAV) Calculation Location.....	22
Registrar and Transfer Agent (RTA) Location.....	23
NAV & RTA Sub-Delegated Location.....	24
Minimum Initial Subscription.....	25
Fund Size by Total Assets.....	26
Economic Functions of Investment Funds.....	27
Glossary of Terms.....	28-30

US \$3.592 Trillion
Net Asset Value

Statistical Trend Analysis

HIGHLIGHTS

Since 2013, when the number of funds peaked at 11,379, there has been a 6.97% decrease in the number of Cayman Islands registered funds over the last three years. However, the total and net asset value has increased as a result of asset appreciation, positive net income and lower performance, administration and management fees incurred by the funds. Only professional fees such as audit and legal expenses were higher in 2016 when compared to 2015. Because of the competition between investment managers, many investment funds are now offering a discount on the 20% performance fees, hence the reduction year on year. On the average, industry operating expenses ratios for funds have declined from 1.95% to 1.75% and the focus of investors remain

confidence in front office professionals and processes rather than past performances of the funds.

The total return on gross assets was 2.07% (2015: 1.34%) and return on net assets improved to 3.53% compared to 2.13% in 2015. Unlike the prior three years, redemptions exceeded subscriptions by US\$86 billion in 2016. This was the first year of net withdrawals since 2009 and 2016 redemptions accounted for 37% of 2015 year end net assets. The total number of FAR submissions for 2016 was 9,324¹ (2015: 8,935) representing 88% (2015: 82%) of all Cayman Islands investment funds. Additional quantitative and qualitative information captured by the FAR is shown below².

Figure 1

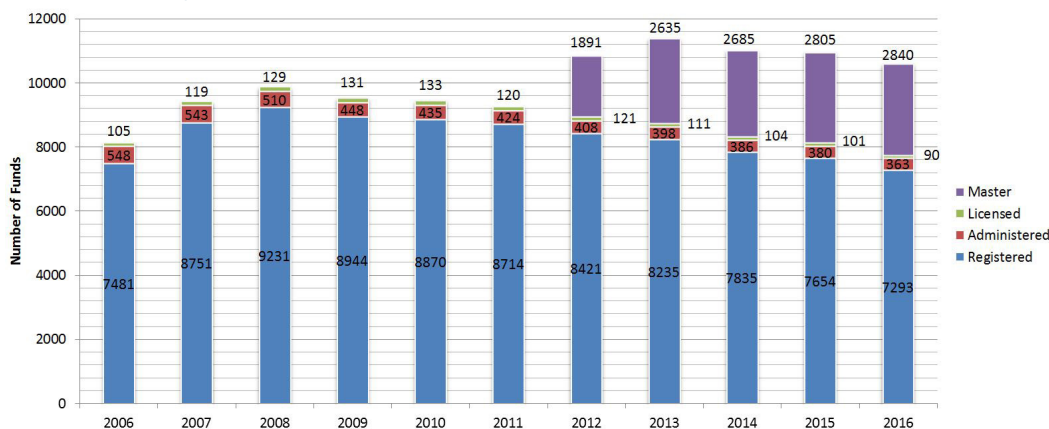
	2016	2015
Total Assets	US\$6.142 trillion	US\$5.707 trillion
Net Asset Value	US\$3.592 trillion	US\$3.575 trillion
Gross Notional Exposure	US\$7.108 trillion	US\$6.457 trillion
Total Subscriptions	US\$1.221 trillion	US\$1.334 trillion
Total Redemptions	US\$1.307 trillion	US\$1.202 trillion
Net Income	US\$127 billion	US\$76 billion
Dividends	US\$30 billion	US\$28 billion
Total performance fees	US\$12 billion	US\$16 billion
Return on Gross Assets	2.07%	1.34%
Return on Net Assets	3.53%	2.13%
Top location of Investment Managers by ending net assets	United States of America (70%)	United States of America (71%)
Primary location for Net Asset Value (NAV) calculation services	Cayman Islands (35%)	Cayman Islands (34%)
Primary location for Registrar and Transfer Agent (RTA) services	Cayman Islands (38%)	Cayman Islands (38%)
% of Funds requiring a minimum initial investment of US\$1M or more	52%	53%
Top two investment strategies	Multi-Strategy (28%) Long/Short Equity (18%)	Multi-Strategy (28%) Long/Short Equity (19%)
% of total number of funds with leverage at 100% or more	Registered Funds - 55% Master Funds - 56% Administered Funds - 25% Licensed Funds - 43%	Registered Funds - 55% Master Funds - 55% Administered Funds - 27% Licensed Funds - 18%
Side pockets implemented during the year to separate liquid assets	334 funds	331 funds
Gate on redemptions implemented during the year	417 funds	410 funds
Equity interest redeemed during the year	959 funds	752 funds
Trading of equities suspended during the year	580 funds	532 funds
Funds currently subject to regulatory investigation	96 funds	132 funds
Funds with intention to terminate	1,160 funds (12.44%)	1,037 funds (11.61%)

Twenty five percent of North American investors expect to increase redemptions and 20% of non-American investors expect to increase subscriptions. European and Middle Eastern pensions and sovereign wealth funds are the source of new capital inflows to mutual funds. Investors will continue to invest in mutual funds but are seeking nontraditional alternative offerings and are now investing more in real estate assets.

However, separately managed accounts (SMAs) are proving popular amongst the sophisticated investors as they offer more transparency, control and decision on strategy as well as negotiating leverage when it comes to fees. Despite the compliance issues, with the advances in technology, investment managers are now offering this option in the form of sub-fund solo accounts. In addition, it is anticipated that consolidation among Investment Managers will continue as they search for new sources of alpha as the old ones dry up.

Investment Managers who fail to innovate, reduce fees and adopt new technologies will not survive. New approaches towards risk and reward and niche products will have to be developed as investors become more sophisticated and have mobile access to more and better information. Mutual funds are also being challenged by the performance of the US equity bull market and the impending increase in US interest rates. Investment funds continue to utilize gates and suspended redemptions as well as side pockets to manage liquidity and continue their appeal to investors.

Figure 2



¹At the date of compilation of this issue of the Digest 9,324 funds had successfully filed a FAR.

²The data presented consists of 6,252 Registered Funds (including 3,070 Sub-Funds), 333 Administered Funds, 88 Licensed Funds and 2,651 Master Funds.

Statistical Trend Analysis

FINANCIAL POSITION - ALL FUNDS

Total ending net assets increased by US\$17 billion in 2016 despite 354 fewer funds than the prior year. Net Income of US\$127 billion was offset by net asset outflows of US\$86 billion as total redemptions of US\$1,307 billion exceeded subscriptions of US\$1,221 billion.

Total return on net assets was 3.53%, up from 2.13%, and net income was up US\$51 billion or 66%. The return on gross assets also improved to 2.07% from 1.34% in 2015, but continues to be below returns experienced in prior years. The improved financial performance is consistent with the growth of the Dow Jones and S&P which climbed 13.4% and 12% respectively, in 2016.

However, economic activity hit a soft patch in the United States in 2016 with real GDP expanding at a tepid 1.6% down from 2.6% in 2015. GDP data for the Eurozone was much better than expected and growth was much faster than in the United States for countries such as Germany and Spain.

Concerns about emerging markets (EM) have diminished quite significantly partly due to China, where policy stimulus seems to have been effective in changing the economy's trajectory which grew at 6.7%. This in turn, is supporting other EM economies.

With the improvement in technology such as FinTech and artificial intelligence, the ability to attract and retain talented investment managers and manage front and back office costs, investment funds continue to keep costs down and therefore reported higher income than in the prior year. During 2016, management fees of US\$23 billion were down 3% from the amounts reported in 2015. Performance fees were down 26% and administrative fees of US\$4 billion were also down 9% from 2015. Only professional fees of US\$2 billion were up 2% from 2015.

Figure 3

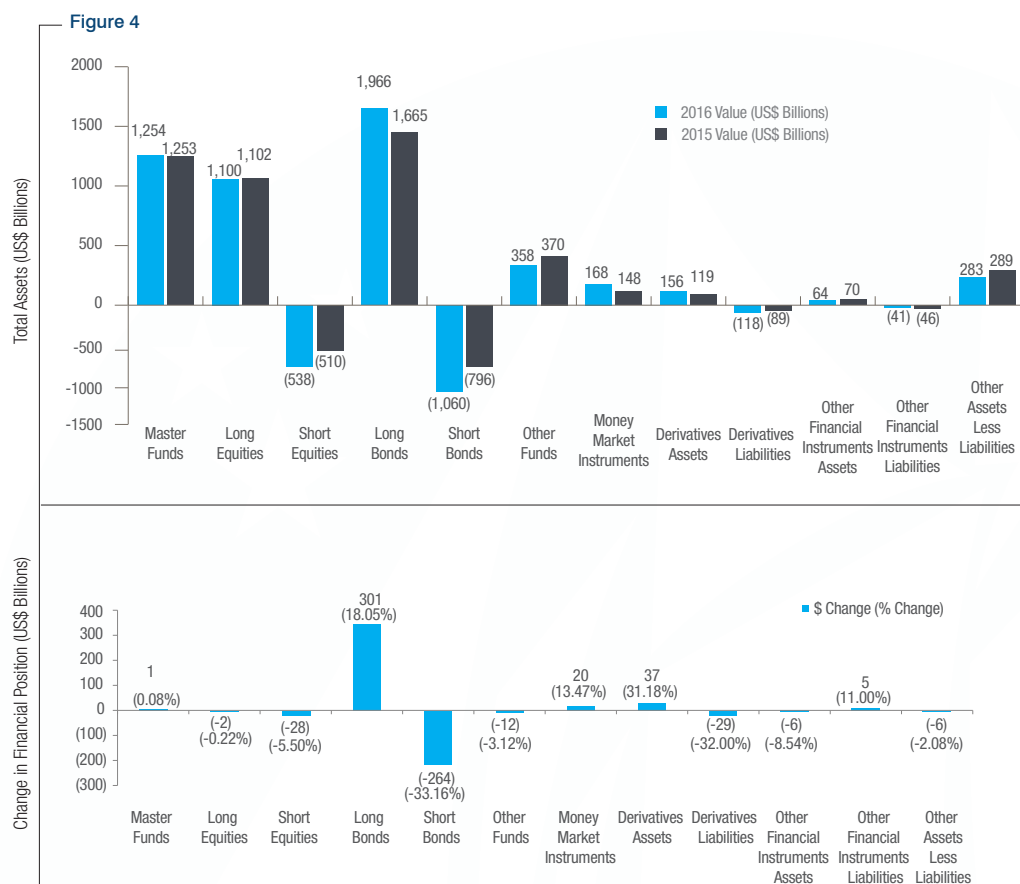


Financial Position (US\$ Billions) ³	2016	2015	\$ Change	% Change
Opening Net Assets	3,581	3,395	186	5%
Subscriptions	1,221	1,334	(113)	(8%)
Redemptions	(1,307)	(1,202)	(105)	9%
Dividends / Distributions	(30)	(28)	2	7%
Net Income	127	76	51	67%
Ending Net Assets	3,592	3,575	17	0.48%
Total Assets	6,142	5,707	435	8%
Gross Notional Exposure	7,108	6,457		
Return on Gross Assets	2.07%	1.34%		
Return on Net Assets	3.53%	2.13%		

³ The decrease from the 2015 ending net assets to the 2016 opening net assets is attributed to new fund authorizations, de-registrations and regulatory waivers during 2016, resulting in a different set of funds filing a 2016 FAR when compared to 2015.

Statistical Trend Analysis

ASSET ALLOCATION - ALL FUNDS



Total ending net assets in 2016 increased by US\$17 billion or 0.47% over 2015. During the year, there were a number of regulatory reforms of the US money market industry which impacted the demand for Cayman Islands money market funds which saw an increase of US\$20 billion. Ongoing demographic trends, increased demand for indexed, equity and hybrid products also impacted the asset allocation of Cayman funds. The US requirement that all nongovernment money market funds (including prime and tax-exempt retail money market funds) must now be able to impose redemption fees and gates pushed retail investors toward US government money market funds as a source of liquidity and away from other investment funds.

There were increases in long and short bonds, derivative assets and liabilities but only marginal changes in the other asset allocations. Long bonds increased by US\$301 billion compared to an increase of US\$59 billion in 2015 and following a decrease of US\$28 billion in 2015 when compared to 2014. Short bonds decreased sharply by US\$264 billion in 2016. Gross Notional exposure was up by US\$651, billion an increase of 10% over the prior year.

Asset Allocation ⁴	2016 Value (US\$ Billions)	2016 % Allocated	2015 Value (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	1,254	17.64%	1,253	19.40%	1	0.08%
Long Equities	1,100	15.47%	1,102	17.07%	(2)	(-0.22%)
Short Equities	(538)	7.57%	(510)	7.90%	(28)	5.50%
Long Bonds	1,966	27.66%	1,665	25.79%	301	18.08%
Short Bonds	(1,060)	14.91%	(796)	12.33%	(264)	33.17%
Other Funds	358	5.03%	370	5.72%	(12)	(-3.21%)
Money Market Instruments	168	2.36%	148	2.30%	19	12.92%
Derivatives Assets	156	2.20%	119	1.84%	38	31.65%
Derivatives Liabilities	(118)	1.67%	(89)	1.38%	(29)	32.55%
Other Financial Instruments Assets	64	0.89%	70	1.09%	(7)	(-9.66%)
Other Financial Instruments Liabilities	(41)	0.58%	(46)	0.71%	(5)	(-10.34%)
Other assets less liabilities	283	4.01%	289	4.48%	(6)	(-2.08%)
Total Net Asset Value	3,592	100%	3,575	100%	17	0.47%
Gross Notional Exposure	7,108		6,457		651	10.08%

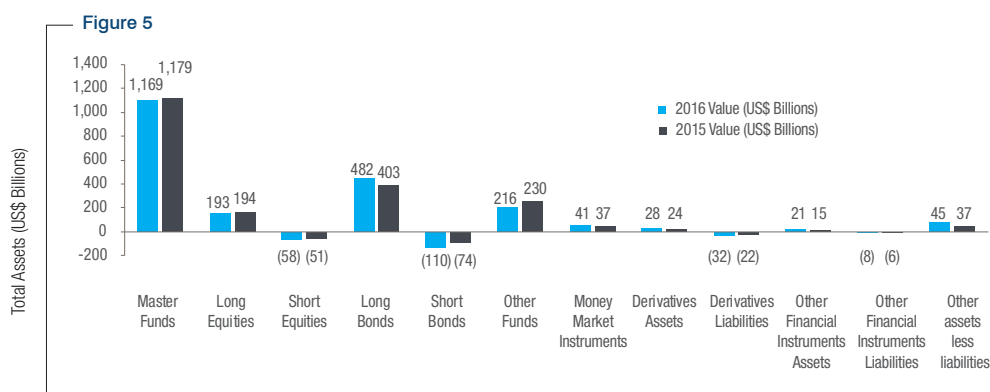
⁴The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - REGISTERED FUNDS

At the end of 2016 there were 7,293 Registered Funds. 6,252 FAR submissions or 86% were received with total net assets of US\$1,987 billion, up 1.09% from 2015. Total redemptions exceeded subscriptions resulting in a net outflow of assets of US\$16 billion, which was offset by net income of US\$55 billion. Dividends of US\$13 billion were unchanged from the prior year. There was an overall improvement in fund performance during the year as reflected by the increase of 54% in net income. The majority of the investments by Registered Funds were in Master Funds (48%) and Long Bonds (20%). Investments in most categories were lower than in 2015 except Long Bonds which increased by US\$79 billion and Short Bonds which increased by US\$36 billion.

As economic circumstances and technology change, capital flows to funds will change based on the growing importance of private equity. The fund industry will also be impacted by the threats of cybersecurity, costs of new technology to combat such threats and the cost of outsourcing the back office services to other companies. However, investment managers will continue to innovate and offer a wider variety of products to all investors looking for diversification and higher yields.



Financial Position (US\$ Billions) ⁵	2016	2015	\$ Change	% Change
Opening Net Assets	1,961	1,859	102	5%
Subscriptions	842	869	(27)	-3%
Redemptions	(858)	(785)	(73)	9%
Dividends / Distributions	(13)	(13)	0	0%
Net Income	55	36	19	54%
Ending Net Assets	1,987	1,966	21	1%
Total Assets	2,437	2,350	87	4%

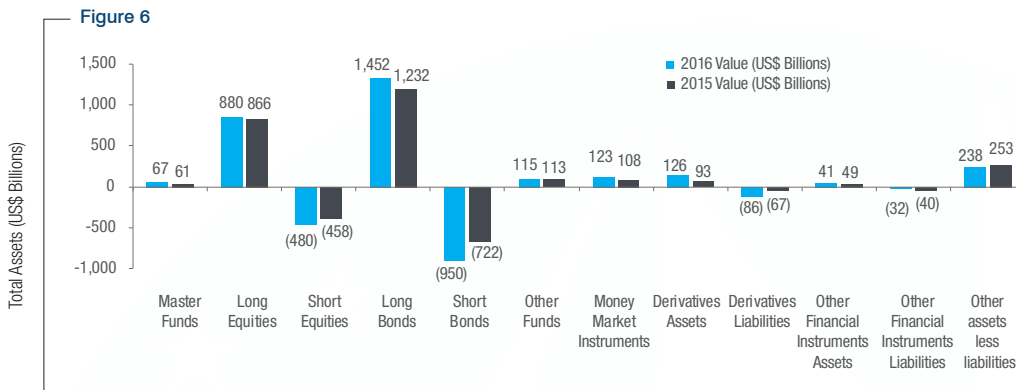
Asset Allocation ⁶	2016 Value (US\$ Billions)	2016 % Allocated	2015 Value (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	1,169	48.62%	1,179	51.89%	-10	-0.85%
Long Equities	193	8.03%	194	8.54%	-1	-0.50%
Short Equities	(58)	2.40%	(51)	2.24%	-7	13.22%
Long Bonds	482	20.05%	403	17.74%	-79	19.58%
Short Bonds	(110)	4.57%	(74)	3.26%	-36	48.61%
Other Funds	216	8.98%	230	10.12%	-14	-6.18%
Money Market Instruments	41	1.72%	37	1.63%	4	11.86%
Derivatives Assets	28	1.17%	24	1.06%	4	17.36%
Derivatives Liabilities	(32)	1.34%	(22)	0.97%	-10	46.19%
Other Financial Instruments Assets	21	0.86%	15	0.66%	6	37.28%
Other Financial Instruments Liabilities	(8)	0.35%	(6)	0.26%	-2	40.67%
Other assets less liabilities	45	1.91%	37	1.63%	9	24.32%
Total Net Asset Value	1,987	100%	1,966	100%	21	1.07%
Gross Notional Exposure	2,404		2,272		132	

⁵ The decrease from the 2015 ending net assets to the 2016 opening net assets is attributed to new fund authorizations, de-registrations and regulatory waivers during 2016, resulting in a different set of funds filing a 2016 FAR when compared to 2015.

⁶ The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - MASTER FUNDS



Master Funds reported an increase in the number of funds in 2016 but total ending net assets only increased by 0.4%. There were 2,840 Cayman registered Master Funds, up from 2,805 in 2015 with 2,651 FAR submissions (93%). Total ending net assets was US\$1,494 billion compared to US\$1,488 billion in 2015. Redemptions exceeded subscriptions by US\$72 billion, resulting in net outflow of assets but this was offset by net income of US\$72 billion up 62% from 2015.

Dividends/distributions also increased by 89% to US\$7 billion in 2016. Master Fund investment allocation was primarily in Long Bonds (32%), Short Bonds (21%) and Long Equities (19%). The largest growth areas were investments in Derivative Assets, which saw an increase of 35% and Short Bonds, which were up 32% over the prior year. As Master Funds determine the investment strategy of feeder funds, innovations such as social media tracking, i-Cloud technology, artificial intelligence and next generation analytics will lead to new and different investment products such as cryptocurrency in which regulators will have to act to monitor.

Financial Position (US\$ Billions) ⁷	2016	2015	\$ Change	% Change
Opening Net Assets	1,501	1,411	90	6%
Subscriptions	340	398	(57)	-14%
Redemptions	(412)	(361)	(51)	-14%
Dividends / Distributions	(7)	(4)	(3)	89%
Net Income	72	44	28	62%
Ending Net Assets	1,494	1,488	6	0.41%
Total Assets	3,586	3,227	359	11%

Asset Allocation ⁸	2016 Value (US\$ Billions)	2016 % Allocated	2015 Value (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	67	1.45%	61	1.50%	6	9.02%
Long Equities	880	19.17%	866	21.33%	14	1.59%
Short Equities	(480)	10.45%	(458)	11.27%	(22)	4.79%
Long Bonds	1,452	31.64%	1,232	30.32%	220	17.90%
Short Bonds	(950)	20.70%	(722)	17.78%	(228)	31.53%
Other Funds	115	2.52%	113	2.78%	3	2.22%
Money Market Instruments	123	2.69%	108	2.67%	15	13.87%
Derivatives Assets	126	2.74%	93	2.30%	32	34.71%
Derivatives Liabilities	(86)	1.86%	(67)	1.65%	(19)	27.92%
Other Financial Instruments Assets	41	0.88%	49	1.19%	(8)	-16.35%
Other Financial Instruments Liabilities	(32)	0.71%	(40)	0.98%	8	-18.82%
Other assets less liabilities	238	5.51%	253	6.23%	(15)	-5.93%
Total Net Asset Value	1,494	100%	1,488	100%	6	0.40%
Gross Notional Exposure	4,590		4,062		528	

⁷ The increase from the 2015 ending net assets to the 2016 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2016, resulting in a different set of funds filing a 2016 FAR when compared to 2015.

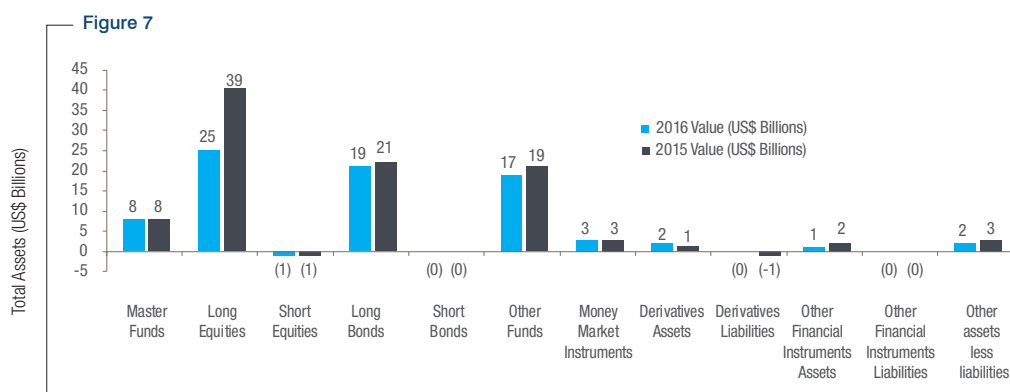
⁸ The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - ADMINISTERED FUNDS

There were 333 FAR submissions or 92% of the total year number of CIMA Registered Funds total of 363 in 2016. Total net assets of US\$76 billion were 19% lower than 2015.

Redemptions exceeded subscriptions by US\$3 billion but net income was \$1 billion compared to reported net losses of US\$4 billion in 2015. Dividends/distributions of US\$8 billion were comparable to the US\$9 billion distributed in 2015. The asset allocation was similar to the prior year except for Long Equities, which decreased by US\$14 billion over the prior year and accounted for the majority of the change in ending net assets of US\$18 billion.



Financial Position (US\$ Billions) ⁹	2016	2015	\$ Change	% Change
Opening Net Assets	86	98	(12)	-12%
Subscriptions	25	57	(33)	-57%
Redemptions	(28)	(48)	20	-41%
Dividends / Distributions	(8)	(9)	1	-15%
Net Income	1	(4)	5	114%
Ending Net Assets	76	94	(18)	-19%
Total Assets	102	102	(20)	-19%

Asset Allocation ¹⁰	2016 Value (US\$ Billions)	2016 % Allocated	2015 Value (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	8	10.26%	8	8.16%	0	0.00%
Long Equities	25	32.05%	39	39.80%	(14)	-35.01%
Short Equities	(1)	1.28%	(1)	1.02%	0	0.00%
Long Bonds	21	24.35%	21	21.43%	(2)	-8.79%
Short Bonds	0	0.00%	0	0.00%	0	0.00%
Other Funds	17	22.31%	19	19.39%	(2)	-8.41%
Money Market Instruments	3	3.65%	3	3.06%	0	0.00%
Derivatives Assets	2	2.20%	1	1.02%	1	71.80%
Derivatives Liabilities	0	0.00%	(1)	1.02%	1	-100.00%
Other Financial Instruments Assets	2	0.75%	2	2.04%	(1)	-70.58%
Other Financial Instruments Liabilities	0	0.00%	0	0.00%	0	0.00%
Other assets less liabilities	2	2.56%	3	3.06%	(1)	-33.33%
Total Net Asset Value	76	99%	94	100%	(18)	-18.78%
Gross Notional Exposure	78		98		(20)	

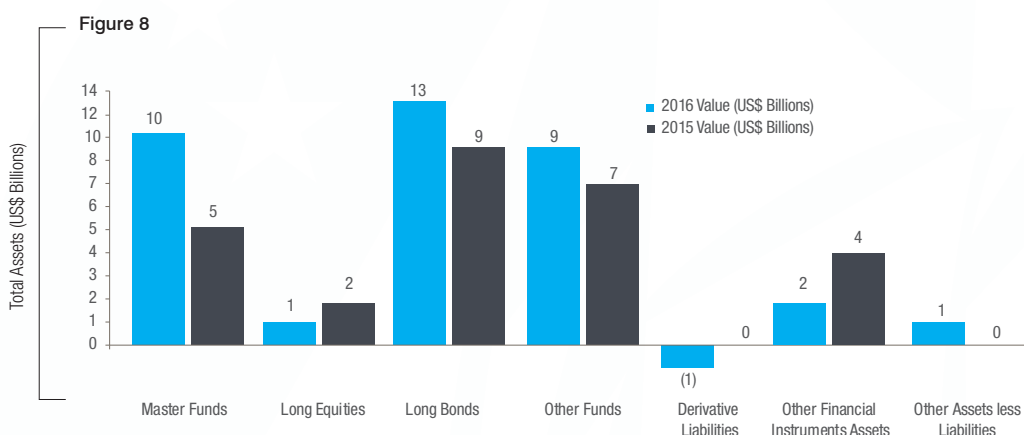
⁹The increase from the 2015 ending net assets to the 2016 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2016, resulting in a different set of funds filing a 2016 FAR when compared to 2015.

¹⁰The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - LICENSED FUNDS

At the end of 2016 there were 90 Licensed Funds, down from 101 in 2015 and 88 FAR submissions (98%). In addition to being considered as local funds available for local resident investment, the Japanese Licensed Funds are retail funds offered in the local Japanese market and are subject to additional reporting under Section 9 of The Retail Mutual Fund (Japan) Regulations, 2017. These funds must submit additional annual financial information and a declaration by the fund operator that states that the fund has complied with investment guidelines, restrictions and its constitution, and has not operated in a manner prejudicial to investors or creditors. In 2016, 43% of Licensed Funds which submitted a FAR reported leverage in excess of 100%. Except as provided for in the prospectus and detailed in the emphasis of matter paragraph of the audit report, Licensed Funds are not to exceed leverage of 100%. Total ending net assets were US\$35 billion, up from US\$27 billion in 2015. Unlike Registered, Master and Administered Funds, there was a net asset inflow of US\$4 billion as subscriptions exceeded redemptions. Dividends/distributions at US\$1.54 billion were down slightly from US\$2 billion in 2015 and there was a loss of US\$682 million compared to net income of US\$78 million in 2015. Total investment in Master Funds doubled to US\$10 billion and investment in Long Bonds increased by 42% to US\$13 billion.



Financial Position (US\$ Billions) ¹¹	2016	2015	\$ Change	% Change
Opening Net Assets	33	27	6	24%
Subscriptions	13	10	4	36%
Redemptions	(9)	(8)	(1)	13%
Dividends / Distributions	(1.54)	(2)	0	-23%
Net Income	(0.68)	0.078	(-0.76)	-980%
Ending Net Assets	35	27	8	29%
Total Assets	36	27	9	34%

Asset Allocation ¹²	2016 Value (US\$ Billions)	2016 % Allocated	2015 Value (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	10	27.03%	5	18.52%	5	100.00%
Long Equities	1	2.70%	2	7.41%	-1	-34.13%
Long Bonds	13	35.14%	9	33.33%	4	42.22%
Other Funds	9	24.32%	7	25.93%	2	28.86%
Derivative Liabilities	(1)	2.70%	0	0.00%	-1	NA
Other Financial Instruments Assets	2	5.41%	4	14.81%	-2	-56.32%
Other assets less liabilities	1	2.70%	0	0.00%	1	NA
Total Net Asset Value	35	100%	27	100%	8	
Gross Notional Exposure	37		27			

¹¹ The increase from the 2015 ending net assets to the 2016 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2016, resulting in a different set of funds filing a 2016 FAR when compared to 2015.

¹² The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

Statistical Stand-Alone Analysis

PORTFOLIO INVESTMENTS BY JURISDICTION

The data presented on portfolio investments is used to facilitate participation in the IMF Coordinated Portfolio Investment Survey (CPIS) and CIMA supervisory functions. The majority of assets are booked against the United States, which provides many investment opportunities, and the Cayman Islands through investments by Registered Funds in Master Funds regulated by CIMA. Results were consistent with the prior year; however there was a marked increase in Master Funds located in the British Virgin Islands, an increase in short term debt securities in the United Kingdom and a shift from long term securities to short debt securities in Germany and France.

With the continued improvement in the US economy, short term and long term securities short positioning increased. Equities short positions sold in China increased nine fold, which shows the growing maturity of investment products available in China. Short term debt portfolio investments held by other developed countries such as Australia, Guernsey, Luxembourg and Switzerland also reported a substantial increase over the prior year as did long term debt portfolio investments issued in Germany.

Figure 9

Jurisdiction of Issuer (Amounts in US\$ Billions)	Total Portfolio Assets		Equities		Master Funds		ST Debt Securities		ST Debt Securities	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
United States	1,168	1,117	333	356	111	120	64	90	660	551
Cayman Islands	1,060	1,011	78	82	970	917	0	2	12	10
United Kingdom	78	68	17	17	1	1	24	4	36	46
Japan	69	59	34	27	1	0	11	19	23	13
Germany	52	46	7	6	0	0	26	7	19	33
British Virgin Islands	41	11	5	6	35	5	0	0	1	0
France	36	42	5	6	0	0	14	1	17	35
China	30	32	23	27	0	0	0	0	7	5
Canada	31	22	8	7	0	0	5	2	18	13
Curacao	18	20	0	0	18	20	0	0	0	0
Ireland	18	15	10	10	6	2	0	0	2	3
Netherlands	18	14	8	4	0	0	1	0	9	10
Hong Kong	17	15	12	10	0	0	0	1	5	4
Denmark	6	18	3	3	0	0	0	0	3	15
Sweden	7	15	2	4	0	0	0	0	5	11
Other Developed Countries	64	60	19	17	7	4	2	7	36	32
Developing Latin America and the Caribbean	21	23	3	3	0	0	1	1	17	19
Developing Asia and the Pacific	19	20	11	8	0	0	0	0	8	12
Other Offshore Centres	15	9	9	5	1	1	0	0	5	3
Developing Europe	8	7	4	3	0	0	0	0	4	4
Developing Africa and the Middle East	3	11	3	5	0	0	0	0	0	6
Total	2,779	2,635	594	606	1,150	1,070	148	134	887	825

Statistical Stand-Alone Analysis

PORTFOLIO INVESTMENTS BY JURISDICTION (CONTINUED)

Figure 9B

Jurisdiction of Issuer (Amounts in US\$ Billions)	Total Portfolio Assets - Short Position		Equities - Short Position		ST Debt Securities - Short Positions		LT Debt Securities - Short Positions	
	2016	2015	2016	2015	2016	2015	2016	2015
Germany	-116.41	-29.85	-0.63	-1.59	-12.6	-2.01	-103.18	-26.25
United States	-113.99	-26.83	-17.60	-11.72	-53.05	-13.95	-43.34	-1.16
United Kingdom	-49.20	-7.27	-0.48	-0.03	-12.28	-4.59	-36.44	-2.65
France	-45.22	-3.65	-0.12	-0.03	-7.28	-1.34	-37.82	-2.28
Japan	-17.23	-2.39	-1.98	-0.87	-0.56	-0.07	-14.69	-1.45
Canada	-8.11	-3.82	-1.55	-1.45	-1.61	-1.51	-4.95	-0.86
Netherlands	-5.47	-0.75	-0.29	-0.16	-3.25	-0.59	-1.93	0.00
China	-4.64	-0.51	-4.56	-0.51	-0.03	0.00	-0.05	0.00
Curacao	-0.06	-0.01	-0.06	-0.01	0.00	0.00	0.00	0.00
Denmark	-0.62	-0.26	-0.07	-0.11	-0.54	-0.15	-0.01	0.00
Hong Kong	-0.17	-0.27	-0.16	-0.27	0.00	0.00	-0.01	0.00
Ireland	-0.26	-0.05	-0.22	-0.04	0.00	-0.01	-0.04	0.00
Sweden	-0.29	-0.42	-0.29	-0.06	0.00	-0.31	0.00	-0.05
Cayman Islands	-0.11	-0.04	-0.09	-0.02	0.00	-0.02	-0.02	0.00
British Virgin Islands	-0.02	0.00	0.00	0.00	-0.02	0.00	0.00	0.00
Other Developed Countries	-16.53	-1.52	0.00	-0.63	-16.53	-0.10	0.00	-0.79
Developing Latin America and the Caribbean	-1.05	-0.51	-0.39	-0.10	-0.19	-0.41	-0.47	0.00
Other Offshore Centres	-0.20	-0.77	-0.20	-0.76	0.00	-0.01	0.00	0.00
Developing Europe	-0.14	-0.01	-0.11	0.00	-0.03	0.00	0.00	-0.01
Developing Africa and the Middle East	-0.14	-0.03	-0.10	-0.02	-0.02	-0.01	-0.02	0.00
Developing Asia and the Pacific	-0.14	-0.60	-0.10	-0.57	-0.01	-0.02	-0.03	-0.01
Total	-380.00	-79.56	-29.00	-18.93	-108.00	-25.11	-243.00	-35.52

Statistical Stand-Alone Analysis

TOP TEN PORTFOLIO INVESTMENTS JURISDICTIONS

Investments consisting primarily of equities and long term debt totalling US\$1,168 billion were purchased from United States entities and US\$1,060 billion by other funds in Cayman Islands Master Funds. Short position investments were purchased mainly from the developed countries such as United States, United Kingdom, Japan, Germany, France and Canada.

However, in 2016 short equity positions in China increased from US\$505 million to US\$4.5 billion reflecting better investment opportunities available there. The Cayman Registered Funds invest in Master Funds and adopt the investment strategy and products of the Master Fund.

Figure 10

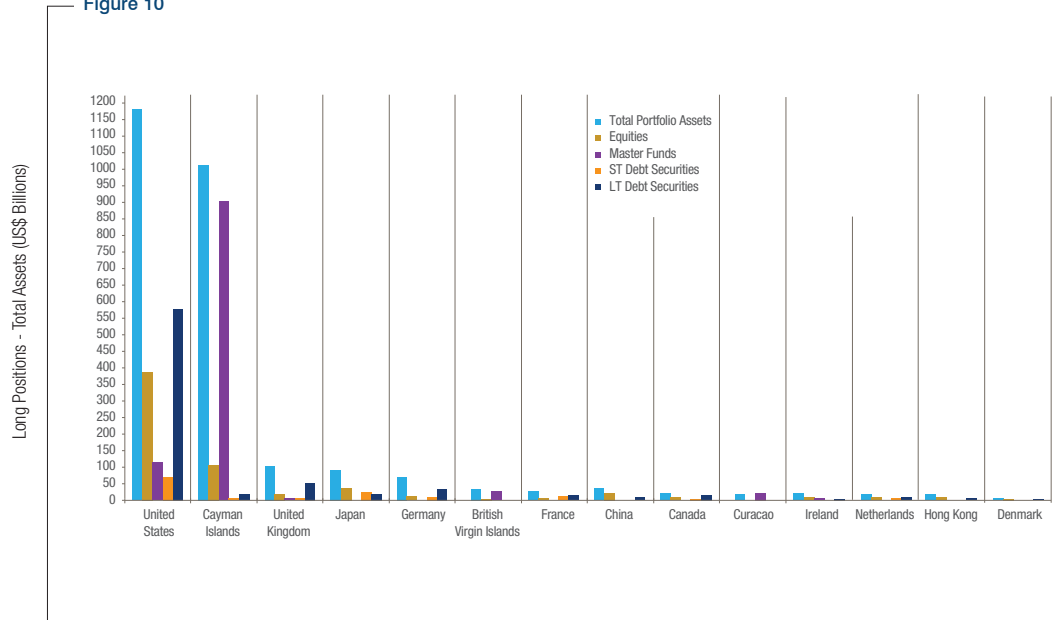
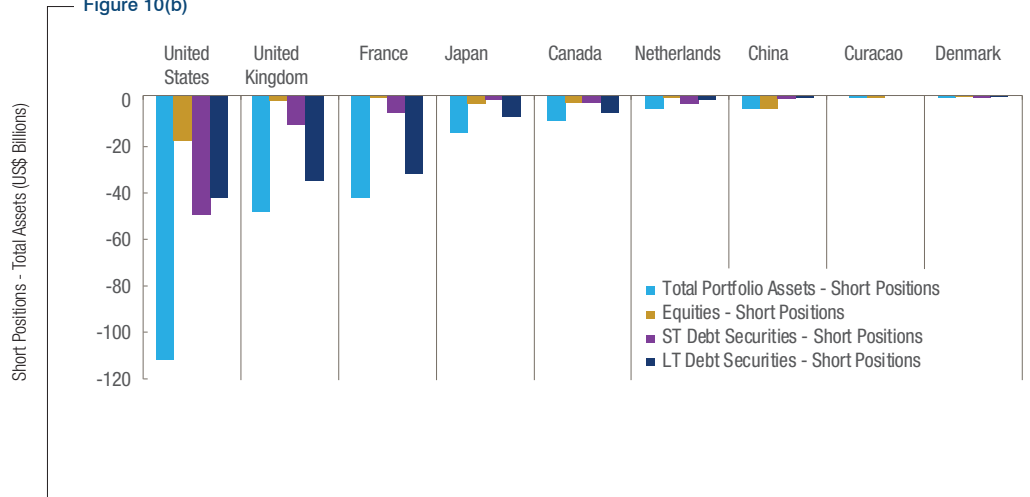


Figure 10(b)



Statistical Stand-Alone Analysis

LEGAL HOLDER OF FUNDS

In 2016, FAR responses on legal holdings were received from 9,563 funds including sub-fund solos. Once the sub-fund solos are merged with the main fund, there were 7,790 unique FAR submissions¹³ with data on legal holders. Legal holders owning more than 10% of the fund were represented by persons or investors in 110 countries. As in the prior year, the jurisdictions of a majority of the fund holders is the United States and the Cayman Islands, although there was an increase in holdings in Japan, Switzerland and the United Kingdom. Japanese funds, which are registered as Licensed funds and are subject to

additional filing regulations, select the Cayman Islands as the jurisdiction of choice because of the conservative approach of their fund managers and the regulatory regime available to the investors. Although proposed changes in regulation in the EU may impact Cayman registered funds, investments held by EU countries only represent about 5.2% of total Cayman Islands investments in Equities, Master Funds and Long and Short term debt.

Figure 11

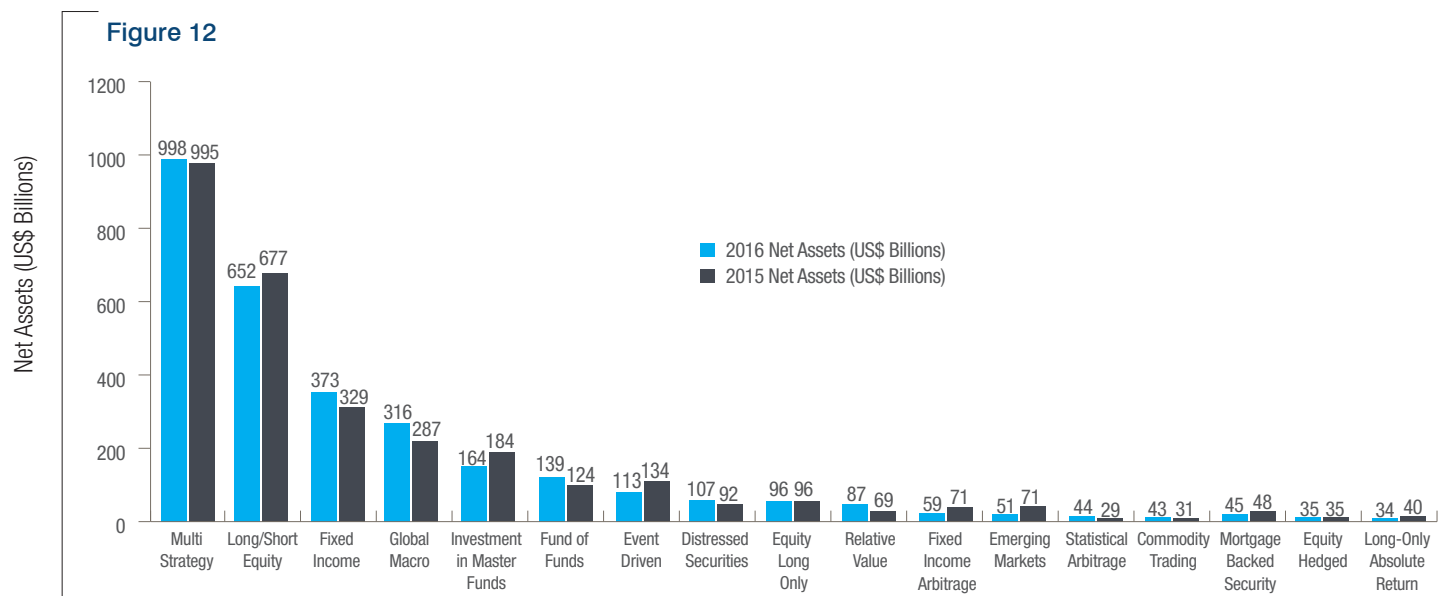
Jurisdiction	Number of funds with Legal Holder owning more than 10% of the Fund		Jurisdiction	Number of funds with Legal Holder owning more than 10% of the Fund		Jurisdiction	Number of funds with Legal Holder owning more than 10% of the Fund		Jurisdiction	Number of funds with Legal Holder owning more than 10% of the Fund	
	2016	2015		2016	2015		2016	2015		2016	2015
United States	3,802	3,358	Sweden	49	56	Chile	7	7	Bolivia	1	1
Cayman Islands	3,551	3,132	Finland	42	47	India	7	5	Botswana	1	0
Japan	1,099	828	France	42	38	Portugal	7	7	Brunei Darussalam	1	1
Switzerland	962	713	Panama	39	34	Greece	6	6	Channel Islands	1	1
United Kingdom	858	686	Cyprus	32	15	Libyan Arab Jamahiriya	6	3	Czech Republic	1	1
Luxembourg	561	499	Republic of Korea	31	27	Oman	6	4	Dominican Republic	1	1
Hong Kong	538	400	Isle of Man	31	26	Indonesia	5	2	Guatemala	1	0
British Virgin Islands	460	374	Germany	28	36	Norway	5	5	Iceland	1	3
Ireland	312	310	South Africa	25	22	Turks and Caicos Islands	5	6	Iraq	1	0
Canada	284	235	Andorra	22	19	Liberia	4	3	Jordan	1	1
Guernsey	273	233	Malaysia	22	19	Turkey	4	5	Kyrgyzstan	1	0
China	247	149	Denmark	19	20	Colombia	3	2	Latvia	1	0
Singapore	242	202	U.S. Virgin Islands	19	15	Cook Islands	3	2	Namibia	1	1
Bermuda	192	166	Monaco	16	14	Grenada	3	1	Nigeria	1	1
Brazil	161	121	New Zealand	15	9	Marshall Islands	3	3	Paraguay	1	1
Saudi Arabia	155	53	Qatar	15	13	Seychelles	3	3	Philippines	1	1
Australia	150	98	Russian Federation	15	8	Bulgaria	2	2	Saint Vincent and the Grenadines	1	1
Bahamas	117	133	Austria	12	14	Costa Rica	2	3	Spain	1	4
Netherlands	99	92	Mauritius	12	6	Kenya	2	4	Sri Lanka	1	1
Jersey	88	92	Barbados	11	8	Macao	2	3	Tunisia	1	0
Belgium	87	61	Italy	11	7	Peru	2	1	United States Minor Outlying Islands	1	1
Malta	80	60	Lebanon	11	9	Puerto Rico	2	2	Vanuatu	1	1
Liechtenstein	70	80	Thailand	11	10	Saint Kitts and Nevis	2	7	Aruba	0	1
Bahrain	65	23	Argentina	10	5	Saint Lucia	2	2	British Indian Ocean Territory	0	1
Taiwan, Province of China	65	47	Mexico	10	14	Palestinian Territory, Occupied	2	1	Christmas Island	0	1
Kuwait	64	58	Samoa	10	6	Venezuela	2	2	Central African Republic	0	1
United Arab Emirates	55	40	Swaziland	10	6	Uruguay	2	3	Egypt	0	1
Curacao	53	36	Gibraltar	8	12	Zimbabwe	2	0	Vietnam	0	1
Israel	49	35	Anguilla	7	4						
			Belize	7	7						

¹³ A fund can have legal holders in many countries, therefore the total number of responses exceeded the number of FAR submissions received. Sub-fund solos are consolidated into the main Registered, Master, Administered or Licensed Fund.

Statistical Trend Analysis

INVESTMENT STRATEGY

An analysis was performed on the amounts classified as Other, using the additional strategy details provided in the FAR and the investment instruments, to expand on the number of strategies which resulted in an increase to 31 investment strategy types as detailed in the tables below. The comparative data for 2015 was updated to reflect the increase in strategy types. In the absence of an investment strategy, where the investment in Master Funds was more than 80% of the total ending NAV, the Investment in Master Funds as a strategy was used rather than an instrument. Multi-strategy, which accounts for 28% of the ending net assets, and Long/Short Equity accounting for 18% are the most popular strategies for the third consecutive year. Long/Short Equity strategies are the least expensive strategies to manage whereas Multi-strategy require robust trading that results in high cost infrastructure but continue to be popular with investors. Investments in a Statistical Arbitrage strategy increased by 51% compared to the prior year as a result of the reallocation based on strategy details. Investments in Emerging Markets strategy has decreased by 27% despite reduced fears of a disruptive crisis in the Emerging Markets economies during 2016. Fixed Income and Global Macro strategies also grew year on year as the return profiles are more or less guaranteed for the risk assumed. Despite the demand for new products, there are fewer non-traditional products being developed by mutual fund managers hence the diversity among existing strategies and interest of investors in new products outside the traditional mutual fund industry.



Investment Strategy	2016 Net Assets (US\$ Billions)	2016 % Allocated ¹⁴	2015 Net Assets (US\$ Billions)	2015 % Allocated ¹⁴	\$ Change ¹⁵ (US\$ Billions)	% Change
Multi-Strategy	998	27.79%	995	27.82%	4	0.37%
Long/Short Equity	652	18.16%	677	18.94%	(25)	-3.67%
Fixed Income	373	10.39%	329	9.21%	44	13.29%
Global Macro	316	8.80%	287	8.02%	29	10.23%
Investment in Master Funds	164	4.57%	184	5.14%	(20)	-10.74%
Fund of Funds	139	3.86%	124	3.48%	14	11.48%
Event Driven	113	3.14%	134	3.75%	(21)	-15.84%
Distressed Securities	107	2.99%	92	2.56%	16	16.98%
Equity Long Only	96	2.67%	96	2.69%	(0)	-0.26%
Relative Value	87	2.43%	69	1.94%	18	25.88%
Fixed Income Arbitrage	59	1.63%	71	1.99%	(13)	-17.76%
Emerging Markets	51	1.43%	71	1.98%	(19)	-27.36%
Statistical Arbitrage	44	1.22%	29	0.81%	15	50.55%
Commodity Trading	43	1.19%	31	0.86%	12	38.72%
Mortgage-backed security	45	1.25%	48	1.34%	(3)	-6.33%
Equity Hedged	35	0.98%	35	0.98%	(0)	-0.25%
Long-only absolute return	34	0.94%	40	1.11%	(6)	-15.42%
Total	3,356	93.44%	3,312	92.65%	44	

¹⁴ The percentage of total net assets allocated to the investment strategy during the year specified.

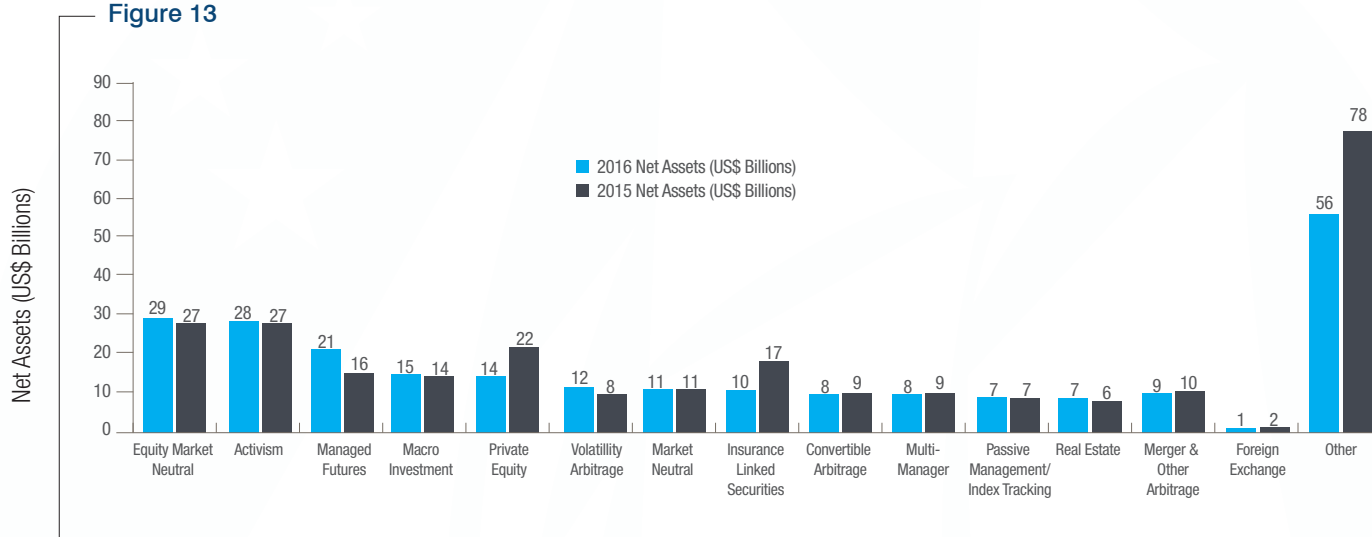
¹⁵ The change in net assets allocated to an investment strategy from 2016 compared to 2015.

Statistical Trend Analysis

INVESTMENT STRATEGY (CONTINUED)

Included in the expanded list of investment strategies is Fixed Income Arbitrage, Statistical Arbitrage, Convertible Arbitrage and Merger Arbitrage which use data mining and automated trading systems to select investment holdings. Arbitrage exists as a result of market inefficiencies and is the simultaneous purchase and sale of an asset to profit from a difference in the price. In addition to Statistical Arbitrage, there was a 50% growth in investments in Volatility Arbitrage but declines in other investments using arbitrage. Investments in Insurance Linked Securities which are products of the rapid development of financial innovation and the process of convergence between the insurance industry and the capital markets (eg, catastrophe bonds), and whose values are driven by insurance loss events, were down 37% compared to 2015 despite projections for growth in 2016 by the insurance industry. Investors are also directing their money to companies seeking to raise private equity capital, which offer higher returns, hence the decline in Private Equity investments, of US\$9 billion between 2016 and 2015.

Figure 13



Investment Strategy	2016 Net Assets (US\$ Billions)	2016 % Allocated ¹⁶	2015 Net Assets (US\$ Billions)	2015 % Allocated ¹⁶	\$ Change ¹⁷ (US\$ Billions)	% Change
Equity Market Neutral	29	0.82%	27	0.75%	2	9.20%
Activism	28	0.77%	27	0.77%	0	0.65%
Managed Futures	21	0.57%	16	0.46%	4	25.41%
Macro Investment	15	0.42%	14	0.38%	2	11.43%
Private Equity	14	0.39%	22	0.63%	(9)	-37.88%
Volatility Arbitrage	12	0.34%	8	0.23%	4	50.56%
Market Neutral	11	0.30%	11	0.30%	0	0.98%
Insurance Linked Securities	10	0.29%	17	0.46%	(6)	-37.10%
Convertible Arbitrage	8	0.21%	9	0.24%	(1)	-11.86%
Multi-Manager	8	0.22%	9	0.24%	(1)	-8.24%
Passive management/Index tracking	7	0.19%	7	0.20%	(0)	-6.35%
Real Estate	7	0.19%	6	0.17%	1	8.86%
Merger & Other Arbitrage	9	0.24%	10	0.29%	(2)	-18.26%
Foreign Exchange	1	0.02%	2	0.05%	(1)	-59.73%
Other	56	1.59%	78	2.17%	(21)	-26.54%
Total	236	6.56%	263	7.35%	(27)	
Table from Figure 12	3,356	93.44%	3,312	92.65%	44	
Total Net Asset Value	3,592	100%	3,575	100%	17	0.47%

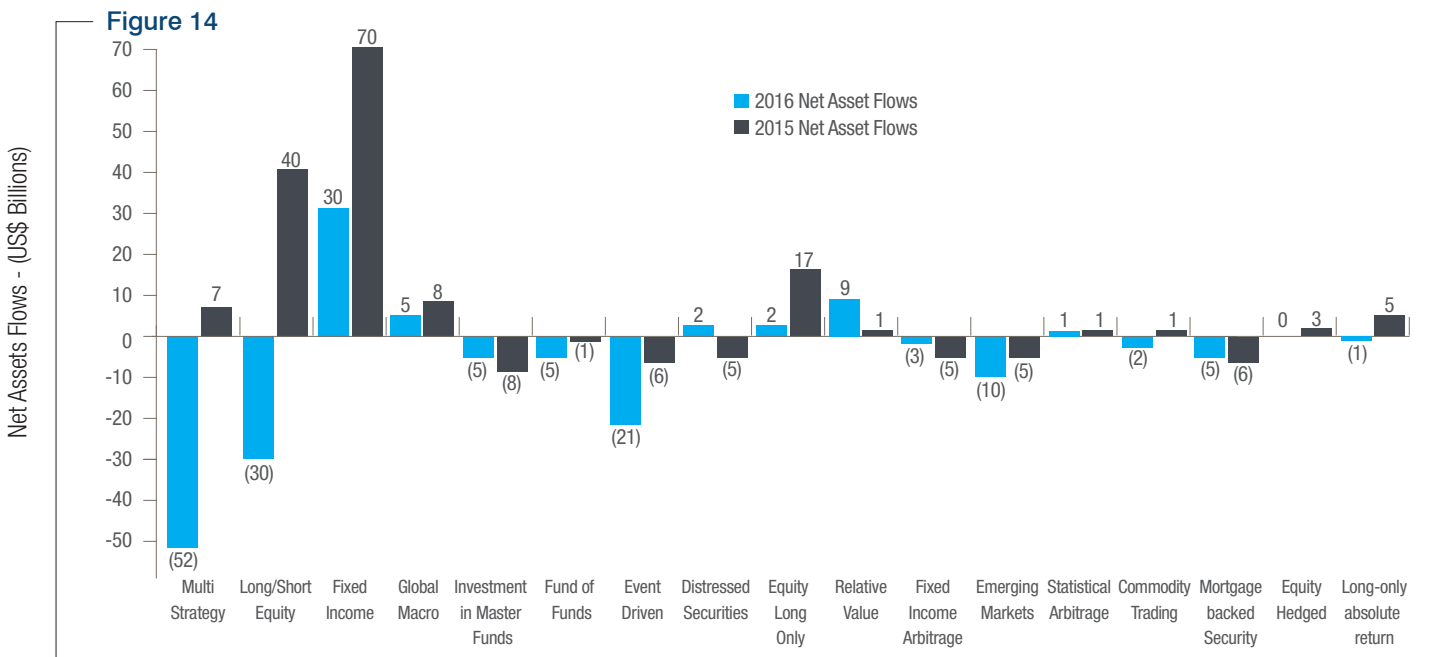
¹⁶ The percentage of total net assets allocated to the investment strategy during the year specified.

¹⁷ The change in net assets allocated to an investment strategy from 2016 compared to 2015.

Statistical Trend Analysis

SUBSCRIPTIONS AND REDEMPTIONS BY INVESTMENT STRATEGY

There was a net capital outflow of US\$86 billion in 2016 compared to an inflow of US\$132 billion in 2015. Redemptions exceeded subscriptions for most of the investment strategies with Multi-Strategy contracting by US\$52 billion and Long/Short Equity by US\$30 billion. On the other hand, Fixed Income subscriptions exceeded redemptions by US\$30 billion but this was still below the net inflow of US\$70 billion in 2015. Weaker than expected economic growth in 2016 prompted the Federal Reserve to delay any further increases in the federal funds rate until the end of the year and this impacted investors' demand for mutual funds. The tightening in monetary policy was widely expected, so the quarter-point move in short term investments in December 2016 had little impact on the markets. The search for yield in a low interest rate environment has pushed individual and institutional investors to other investment strategies especially to the US stock market and exchange traded funds and this has propelled the stock market even higher despite the risks of an impending market correction.

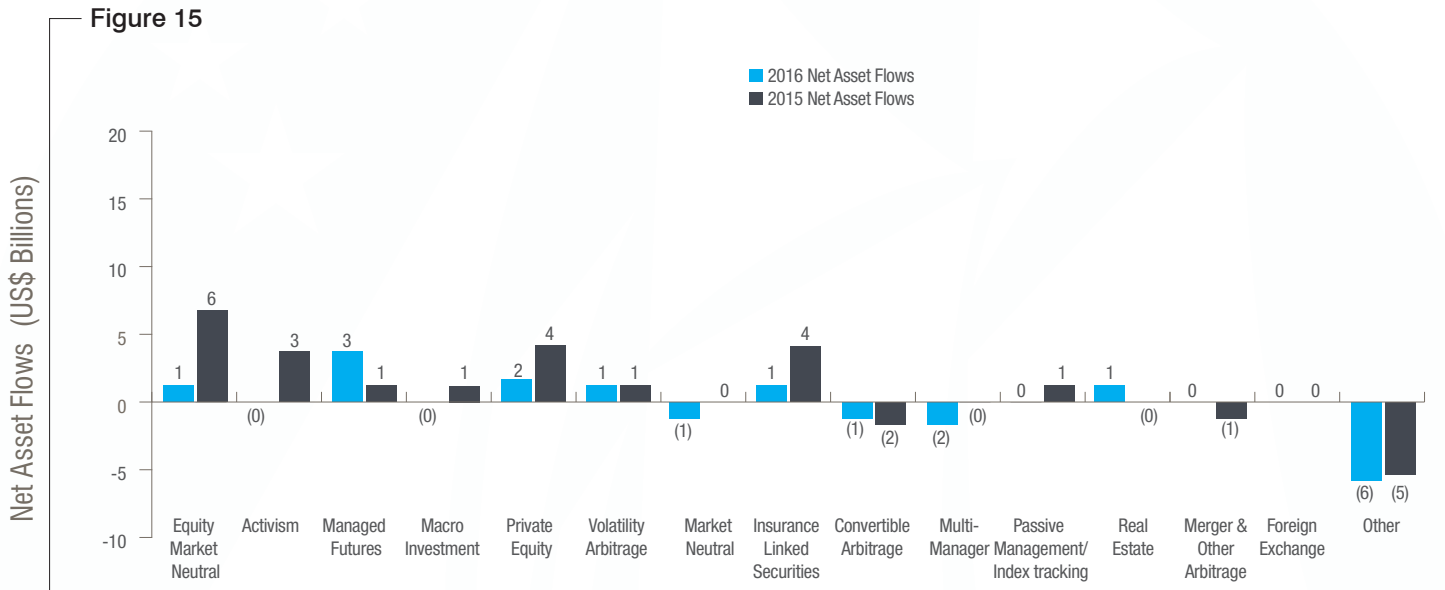


Investment Strategy	2016 Subscriptions (US\$ Billions)	2016 Redemptions (US\$ Billions)	2016 Net Asset Flows (US\$ Billions)	2015 Subscriptions (US\$ Billions)	2015 Redemptions (US\$ Billions)	2015 Net Asset Flows (US\$ Billions)	Change in Net Asset Flows (US\$ Billions)
Multi-Strategy	194	(246)	(52)	230	(223)	7	(59)
Long/Short Equity	120	(150)	(30)	171	(131)	40	(70)
Fixed Income	105	(75)	30	123	(53)	70	(40)
Global Macro	99	(94)	5	100	(92)	8	(3)
Investment in Master Funds	34	(39)	(5)	68	(76)	(8)	2
Fund of Funds	409	(414)	(5)	343	(343)	(1)	(4)
Event Driven	33	(54)	(21)	40	(45)	(6)	(15)
Distressed Securities	25	(23)	2	15	(20)	(5)	7
Equity Long Only	20	(18)	2	33	(16)	17	(16)
Relative Value	21	(12)	9	14	(13)	1	8
Fixed Income Arbitrage	19	(22)	(3)	17	(22)	(5)	2
Emerging Markets	16	(26)	(10)	19	(24)	(5)	(5)
Statistical Arbitrage	17	(16)	1	20	(19)	1	0
Commodity Trading	14	(16)	(2)	11	(10)	1	(3)
Mortgage-backed security	10	(15)	(5)	8	(14)	(6)	1
Equity Hedged	15	(15)	0	11	(8)	3	(3)
Long-only absolute return	5	(6)	(1)	13	(8)	5	(5)
Total	1,156	(1,241)	(85)	1,236	(1,117)	118	(202)

Statistical Trend Analysis

— SUBSCRIPTIONS AND REDEMPTIONS BY INVESTMENT STRATEGY (CONTINUED) —

Except for Managed Futures where subscriptions exceeded redemptions by US\$3 billion, the investment activity in the other strategies was neutral in 2016 with subscriptions and redemptions at about the same level. A decline in business investment after the United Kingdom unexpectedly voted to initiate the process of withdrawing from the European Union (commonly referred to as Brexit) contributed to moderately slower GDP growth in the United Kingdom in 2016. The result was generally more accommodative central bank policies around the globe and lower subscriptions in mutual funds. With rising interest rates, longer and higher coupon bonds will be affected and we can expect further shifts in investment strategy for investment funds. Investments managers who have held short duration investments for several years while interest rates were low may shift to longer term bonds and other securities. Geopolitical tensions such as the North Korea nuclear threats will also impact investment managers' decisions on strategy types in the future.



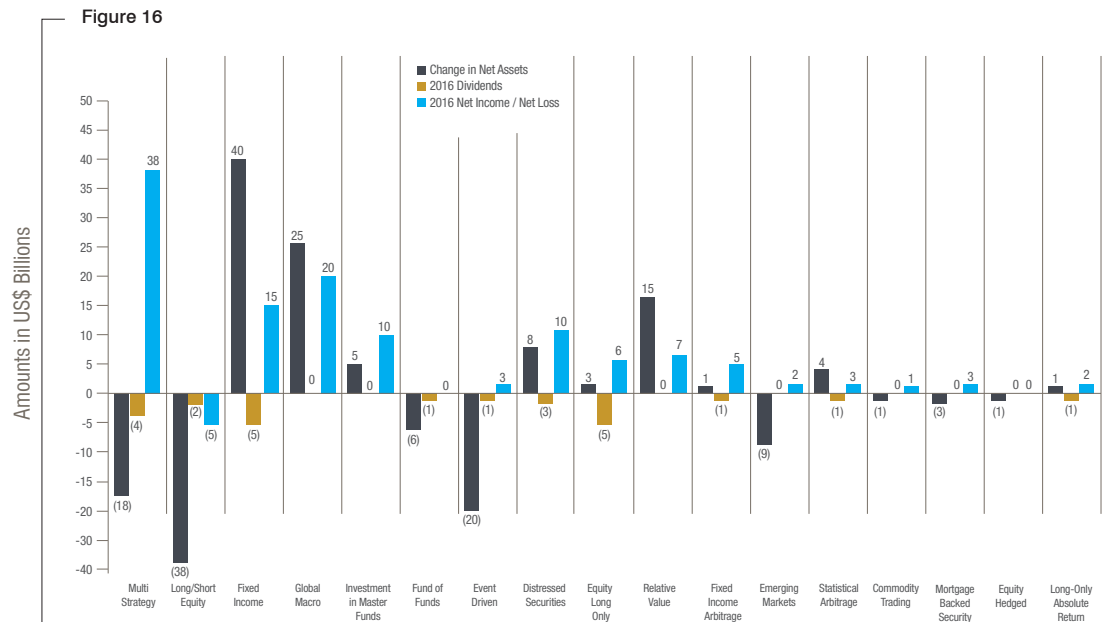
Investment Strategy	2016 Subscriptions (US\$ Billions)	2016 Redemptions (US\$ Billions)	2016 Net Asset Flows (US\$ Billions)	2015 Subscriptions (US\$ Billions)	2015 Redemptions (US\$ Billions)	2015 Net Asset Flows (US\$ Billions)	Change in Net Asset Flows (US\$ Billions)
Equity Market Neutral	10	(9)	1	11	(5)	6	(6)
Activism	5	(5)	0	7	(4)	3	(3)
Managed Futures	9	(6)	3	7	(6)	1	4
Macro Investment	6	(6)	0	6	(5)	1	(1)
Private Equity	3	(1)	2	8	(4)	4	(2)
Volatility Arbitrage	6	(5)	1	2	(1)	1	0
Market Neutral	3	(4)	(1)	17	(17)	0	(1)
Insurance Linked Securities	3	(2)	1	8	(4)	4	(3)
Convertible Arbitrage	1	(2)	(1)	1	(3)	(2)	1
Multi-Manager	0	(2)	(2)	1	(1)	0	(2)
Passive mgt/Index tracking	3	(3)	0	3	(2)	1	(1)
Real Estate	2	(1)	1	1	(1)	0	1
Merger & Other Arbitrage	4	(4)	0	2	(3)	(1)	1
Foreign Exchange	0	0	0	1	(1)	0	0
Other	10	(16)	(6)	23	(28)	(5)	(1)
Total	65	(66)	1	98	(85)	13	(14)
Total from Figure 14	1,156	(1,241)	(85)	1,236	(1,117)	118	(202)
Grand Total	1,221	(1,307)	(86)	1,334	(1,202)	132	(217)

Statistical Trend Analysis

CHANGE IN NET ASSETS, DIVIDENDS & NET INCOME BY INVESTMENT STRATEGY

The change in ending net assets from opening net assets for all funds was only US\$12 billion, with Fixed Income and Global Macro among the investment strategies with higher ending net assets with higher ending net assets during the year. The top two strategies of Multi-Strategy and Long/Short Equity were down US\$18 billion and US\$38 billion, respectively, from their opening net asset balances. Event Driven was also down US\$20 billion from the opening net asset balance.

Returns on global stock markets increased 8.5% in 2016 following a 1.8% decline in 2015 and this impacted the improved net income of US\$127 billion reported by Cayman regulated funds in 2016. Net income or breakeven results were reported for all investment strategies except Long/Short Equity and Equity Market Neutral, which reported net losses of US\$5 billion and US\$2 billion respectively. Dividends of US\$30 billion were US\$2 billion higher than in 2015.

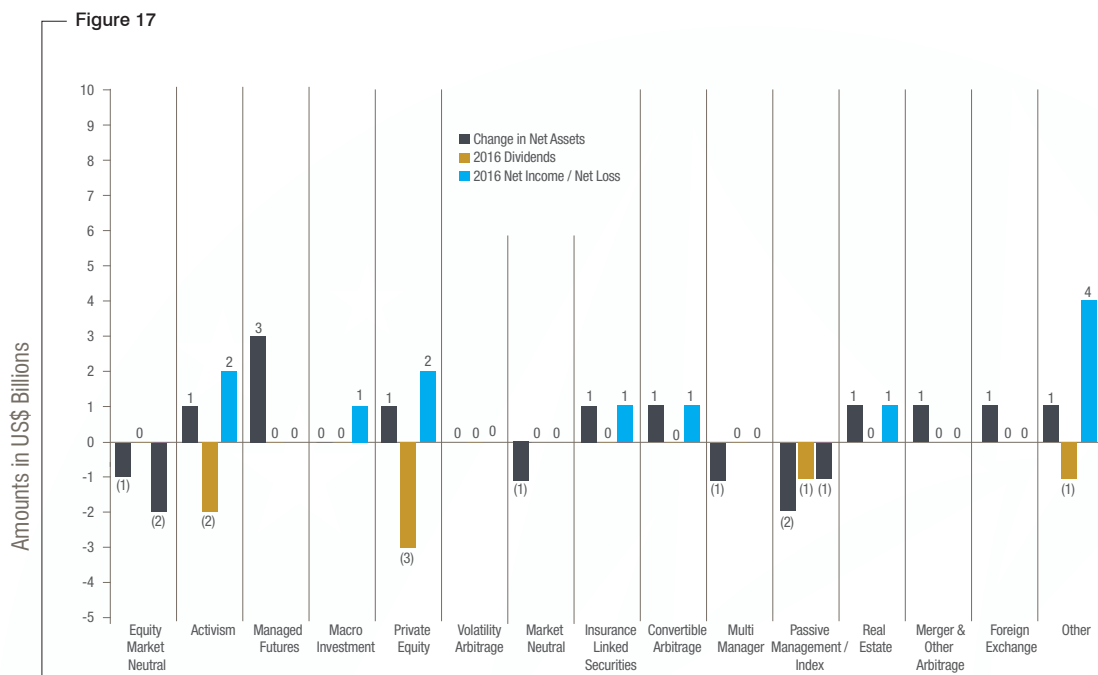


Investment Strategy (Amounts in US\$ billions)	2016 Opening Net Assets	2016 Ending Net Assets	2016 Change in Net Assets ¹⁸	2016 Dividends	2015 Dividends	2016 Net Income/ Net Loss	2015 Net Income/ Net Loss
Multi-Strategy	1,016	998	(18)	(4)	(2)	38	25
Long/Short Equity	690	652	(38)	(2)	(1)	(5)	43
Fixed Income	333	373	40	(5)	(7)	15	0
Global Macro	291	316	25	0	(1)	20	6
Investment in Master Funds	159	164	5	0	(1)	10	0
Fund of Funds	145	139	(6)	(1)	(1)	0	0
Event Driven	133	113	(20)	(1)	0	3	(5)
Distressed Securities	99	107	8	(3)	(1)	10	(1)
Equity Long Only	93	96	3	(5)	(4)	6	1
Relative Value	72	87	15	0	0	7	3
Fixed Income Arbitrage	58	59	1	(1)	(1)	5	1
Emerging Markets	60	51	(9)	0	(1)	2	(3)
Statistical Arbitrage	40	44	4	(1)	0	3	6
Commodity Trading	44	43	(1)	0	0	1	(4)
Mortgage-backed security	48	45	(3)	0	0	3	1
Equity Hedged	36	35	(1)	0	0	0	2
Long-only absolute return	33	34	1	(1)	(1)	2	(1)
Total	3,348	3,356	8	(24)	(22)	119	73

¹⁸ Calculated as 2016 Ending Net Assets minus 2016 Opening Net Assets

Statistical Trend Analysis

CHANGE IN NET ASSETS, DIVIDENDS & NET INCOME BY INVESTMENT STRATEGY (CONTINUED)



According to the Investment Company Fact Book, global stock markets in 2016 were temporarily rattled by China's currency devaluation in January, Brexit in June, and the US presidential election in November, but each time quickly settled down. In the United States, the S&P 500 advanced 9.5 percent, while the NASDAQ Composite Index gained 7.5 percent. In the United Kingdom, the Financial Times Stock Exchange (FTSE) 100 Index was up 14.4 percent for the year, and in Germany, the Deutscher Aktienindex (DAX) rose 6.9 percent. The MSCI Emerging Markets Index indicated that stock prices in emerging market countries also increased (8.6 percent) in 2016. All these positive indicators contributed to positive net income for mutual fund investments during 2016.

Investment Strategy (Amounts in US\$ billions)	2016 Opening Net Assets	2016 Ending Net Assets	2016 Change in Net Assets ¹⁹	2016 Dividends	2015 Dividends	2016 Net Income/ Net Loss	2015 Net Income/ Net Loss
Equity Market Neutral	30	29	(1)	0	0	(2)	1
Activism	27	28	2	(2)	0	2	2
Managed Futures	18	218	3	0	0	0	1
Macro Investment	15	15	0	0	0	1	0
Private Equity	13	14	1	(3)	(1)	2	0
Volatility Arbitrage	12	12	0	0	0	0	0
Market Neutral	12	11	(1)	0	0	0	1
Insurance Linked Securities	9	10	1	0	(1)	1	0
Convertible Arbitrage	7	8	1	0	0	1	0
Multi-Manager	9	8	(1)	0	0	0	0
Passive management/Index tracking	9	7	(2)	(1)	(1)	(1)	0
Real Estate	6	7	1	0	0	1	0
Merger & Other Arbitrage	8	9	1	0	0	0	0
Foreign Exchange	0	1	1	0	0	0	0
Other	56	57	(1)	(1)	(3)	4	(1)
Total	233	236	4	(6)	(6)	8	3
Total from Figure 16	3,348	3,356	8	(24)	(22)	119	73
Grand Total	3,581	3,592	11	(30)	(28)	127	76

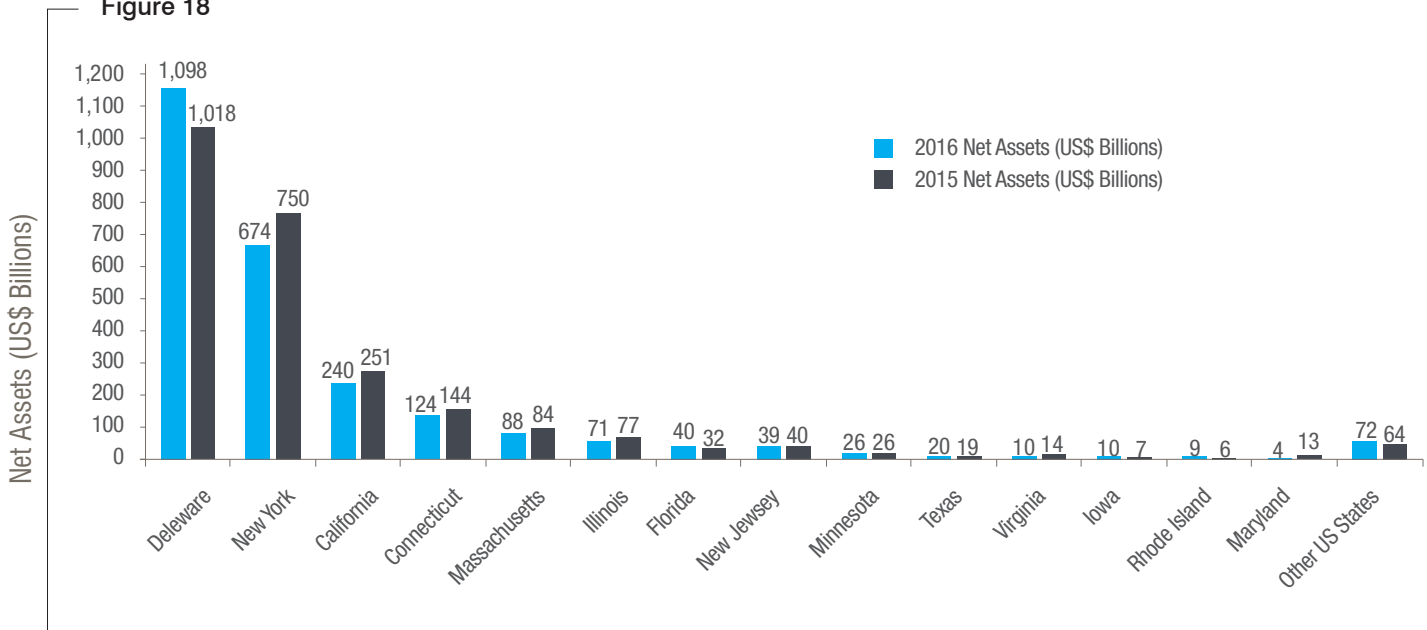
¹⁹ Calculated as 2016 Ending Net Assets minus 2016 Opening Net Assets

Statistical Trend Analysis

NET ASSETS BY INVESTMENT MANAGER LOCATION - USA

Total net assets managed by US companies were down US\$20 billion from the prior year although the total number of funds managed were up by 201. Delaware remained as the most popular US destination for investment managers for the second straight year having surpassed New York in 2015. In 2017, Delaware introduced the Delaware's General Corporation Law in Blockchain technology for Delaware companies to allow blockchain technology to keep shareholders list and corporate records, and will therefore continue to attract investment managers. The use of this technology, which is most often associated with Bitcoin, is rapidly expanding to a variety of traditional sectors, offering new investment opportunities that will likely result in more cryptocurrency mutual funds in the future. The number of investment funds managed in Delaware increased by 12% with total ending net assets under management up to US\$1.098 trillion from US\$1.018 trillion in 2015. The number of funds managed by New York firms also increased but the total ending net assets under management decreased by 10% from US\$750 billion to US\$674 billion. The number of funds managed in Maryland was down by 66% with ending net assets of US\$4 billion down from US\$13 billion in 2015 and up for Rhode Island by one fund but an increase in ending net assets of US\$3 billion.

Figure 18



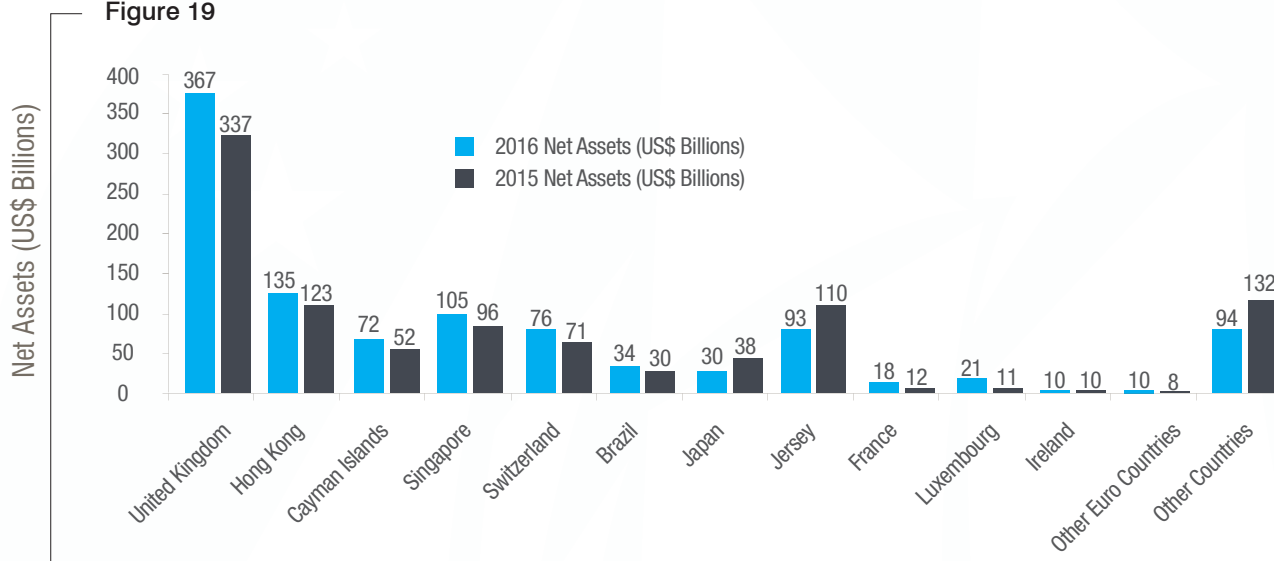
Investment Manager Location	2016 Number of Funds	2016 Net Assets (US\$ Billions)	2016 % Allocated	2015 Number of Funds	2015 Net Assets (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
Delaware	2,067	1,098	30.56%	1,842	1,018	28.47%	80	7.90%
New York	1,390	674	18.76%	1,380	750	20.98%	(76)	-10.12%
California	459	240	6.68%	475	251	7.02%	(11)	-4.40%
Connecticut	230	124	3.45%	215	144	4.02%	(20)	-13.93%
Massachusetts	139	88	2.45%	113	84	2.36%	4	4.43%
Illinois	169	71	1.98%	170	77	2.16%	(6)	-8.26%
Florida	114	40	1.11%	116	32	0.89%	8	25.67%
New Jersey	98	39	1.09%	108	40	1.11%	(1)	-1.80%
Minnesota	47	26	0.72%	50	26	0.74%	0	0.00%
Texas	74	20	0.56%	90	19	0.54%	1	5.16%
Virginia	35	10	0.28%	41	14	0.40%	(4)	-29.69%
Iowa	5	10	0.28%	4	7	0.20%	3	42.32%
Rhode Island	6	9	0.25%	5	6	0.17%	3	50.46%
Maryland	15	4	0.11%	44	13	0.37%	(9)	-70.30%
Other US states	334	72	2.00%	328	64	1.79%	8	12.50%
Total USA	5,182	2,525	70.29%	4,981	2,545	70.63%	-20	19.00%

Statistical Trend Analysis

NET ASSETS BY INVESTMENT MANAGER LOCATION - OTHER

Despite the uncertainty created by Brexit, the value of investment funds managed in the UK increased in 2016 to US\$367 billion from US\$337 billion. The value of funds managed in other countries was consistent with the prior year except for Luxembourg where the number of funds increased by nine and the net asset value of funds managed increased from US\$11 billion to US\$21 billion in 2016 or 90%. Managers who are making front office and technological changes to the business models and reducing costs for the investors are reaping the rewards of operational efficiency and more capital flow into their funds. As such, the US and European countries continue to compete with each other for limited investor funds as more products such as private equity and arbitrage become more accessible to investors. With the changes in technology, there are opportunities as well as risks. However, the talent pool of personnel will continue to determine investment management costs and operational alpha even with new and better technology and this will impact investment manager locations in the future.

Figure 19

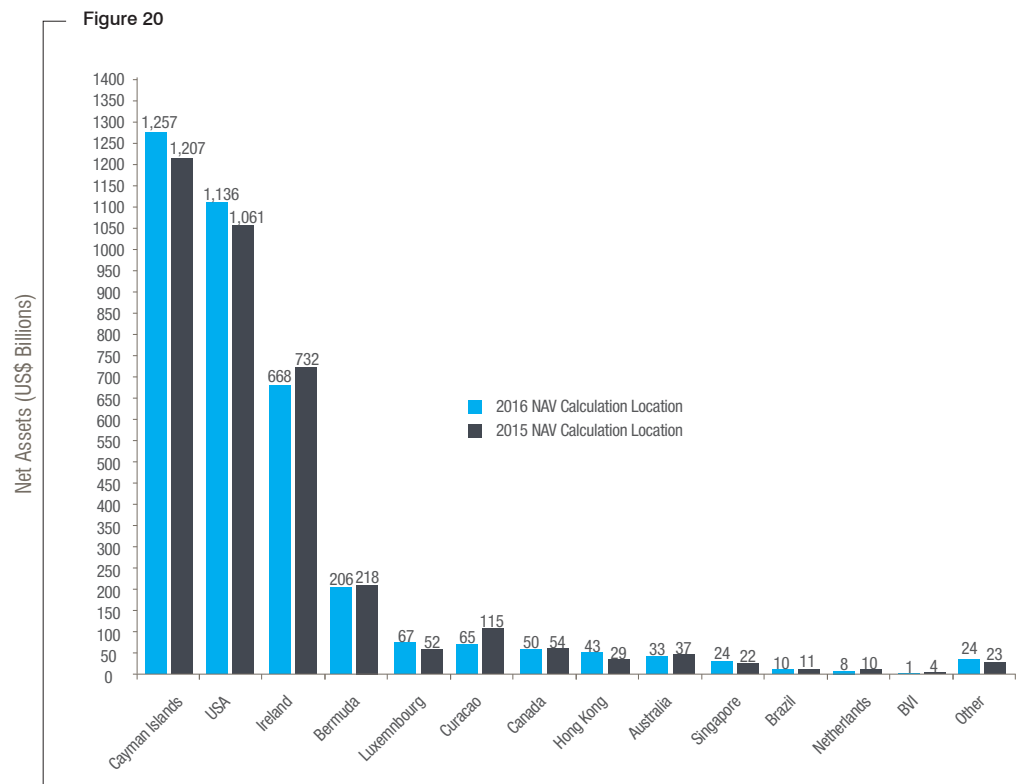


Investment Manager Location	2016 Number of Funds	2016 Net Assets (US\$ Billions)	2016 % Allocated	2015 Number of Funds	2015 Net Assets (US\$ Billions)	2015 % Allocated	\$ Change (US\$ Billions)	% Change
United Kingdom	999	367	10.22%	949	337	9.42%	30	8.94%
Hong Kong	746	135	3.76%	601	123	3.44%	12	9.66%
Cayman Islands	529	72	2.00%	590	52	1.45%	20	38.49%
Singapore	372	105	2.92%	343	96	3.68%	9	9.50%
Switzerland	237	76	2.12%	231	71	1.99%	5	6.92%
Brazil	190	34	0.95%	181	30	0.84%	4	13.05%
Japan	135	30	0.84%	132	38	1.06%	(8)	-21.13%
Jersey	78	93	2.59%	83	110	3.07%	(17)	-15.49%
France	34	18	0.50%	26	12	0.34%	6	48.53%
Luxembourg	31	21	0.58%	22	11	0.31%	10	89.54%
Ireland	12	10	0.28%	11	10	0.29%	(0)	-3.19%
Other Euro countries	23	10	0.28%	43	8	0.23%	2	19.06%
Other countries	756	94	2.67%	742	132	3.69%	(38)	-28.82%
Total - Other	4,142	1,066	29.70%	3,954	1,030	29.37%	35	-5.00%
Total - USA	5,182	2,525	70.31%	4,981	2,545	70.63%	-20	19.00%
Grand Total	9,324	3,592	100%	8,935	3,575	100%	17	12.00%

Statistical Trend Analysis

NAV CALCULATION LOCATION

Cayman Islands companies were responsible for providing NAV calculation services to 3,160 funds (2015: 2,875) or 35% of the ending net asset value of all funds which submitted a FAR in 2016. This activity is also sub-delegated to a number of other countries including Hong Kong, Ireland, Luxembourg, Singapore, Canada and the USA. Companies in the United States and Ireland provided services to 32% and 19% of 2016 ending NAV, respectively. There was a 44% decline in funds where NAV services are performed in Curacao from US\$115 billion to US\$65 billion in 2016 and a 76% decline in the British Virgin Islands from US\$4 billion to US\$1 billion. There was however, a 46% increase for Hong Kong NAV calculation services from US\$29 billion to US\$43 billion in 2016.

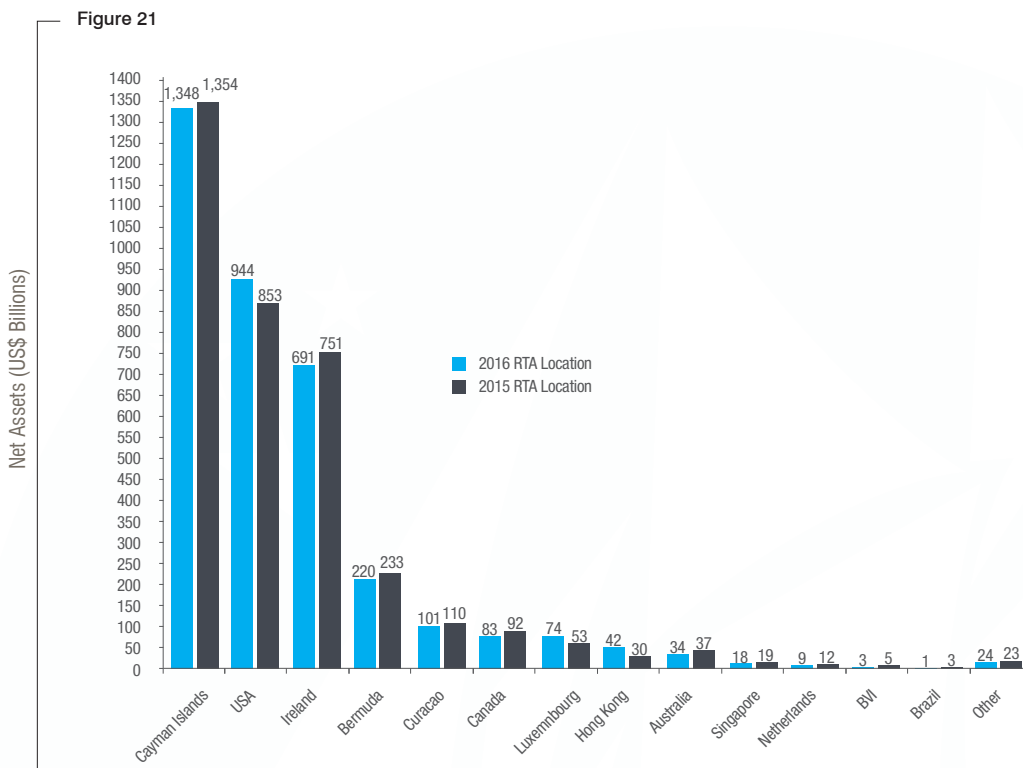


NAV Calculation Location	2016 Number of Funds	2016 Net Assets (US\$ Billions)	Percentage	2015 Number of Funds	2015 Net Assets (US\$ Billions)	Percentage
Cayman Islands	3,160	1,257	35.01%	2,875	1,207	33.77%
USA ²⁰	2,592	1,136	31.62%	2,487	1,061	29.67%
Ireland	1,481	668	18.59%	1,621	732	20.48%
Bermuda	606	206	5.75%	515	218	6.10%
Luxembourg	211	67	1.87%	201	52	1.45%
Curacao	124	65	1.80%	134	115	3.20%
Canada	119	50	1.39%	140	54	1.51%
Hong Kong	317	43	1.20%	291	29	0.82%
Australia	30	33	0.93%	28	37	1.05%
Singapore	178	24	0.66%	178	22	0.61%
Brazil	106	10	0.27%	104	11	0.30%
Netherlands	50	8	0.22%	62	10	0.28%
BVI	22	1	0.02%	28	4	0.10%
Other	328	24	0.67%	271	23	0.64%
Total	9,324	3,592	100%	8,935	3,575	100%

²⁰ Top six USA states: New York, Massachusetts, Delaware, Connecticut, and New Jersey

Statistical Trend Analysis

REGISTRAR AND TRANSFER LOCATION



There was a decrease in the ending net asset value of funds using the Cayman Islands for the RTA services in 2016, although the number of funds increased by 189. At 38%, the Cayman Islands remained as the most popular jurisdiction providing services to 3,508 funds with an ending net asset value of US\$1.348 trillion. The provision of RTA services by Cayman companies was sub-delegated to other countries such as the United States, Australia, Ireland, Luxembourg, Singapore, Canada and the United Arab Emirates. New York and Connecticut were the most popular states to which RTA services were sub-delegated. Companies that provide RTA services in the United States provided services to funds with 26% ending NAV. Ireland is the third most popular location for RTA services.

RTA Location	2016 Number of Funds	2016 Net Assets (US\$ Billions)	Percentage	2015 Number of Funds	2015 Net Assets (US\$ Billions)	Percentage
Cayman Islands	3,508	1,348	37.52%	3,319	1,354	37.87%
USA ²⁰	2,092	944	26.27%	1,932	853	23.85%
Ireland	1,529	691	19.24%	1,653	751	21.01%
Bermuda	638	220	6.14%	561	233	6.52%
Curacao	124	101	2.82%	130	110	3.07%
Canada	208	83	2.30%	228	92	2.58%
Luxembourg	237	74	2.06%	206	53	1.48%
Hong Kong	317	42	1.17%	280	30	0.83%
Australia	31	34	0.93%	27	37	1.05%
Singapore	206	18	0.51%	208	19	0.54%
Netherlands	56	9	0.24%	67	12	0.33%
BVI	36	3	0.09%	38	5	0.15%
Brazil	22	1	0.03%	22	3	0.07%
Other	320	24	0.68%	264	23	0.65%
Total	9,324	3,592	100%	8,935	3,575	100%

²¹Top five USA states: Massachusetts, New York, Delaware, Connecticut and California

STATISTICAL STAND-ALONE ANALYSIS

NAV & RTA SUB-DELEGATED LOCATION

Although the Cayman Islands is the top location for NAV and RTA services provided to most of the funds, these functions are sub-delegated to a number of other countries as shown below.

Figure 22

NAV Sub-Delegated Location	2016 Number of Funds	2016 Net Assets (US\$ Millions)	RTA Sub-Delegated Location	2016 Number of Funds	2016 Net Assets (US\$ Millions)
Canada	212	177,039	Hong Kong	186	25,742
Hong Kong	205	31,273	Singapore	163	14,538
Singapore	205	25,014	Canada	154	77,562
Ireland	145	68,504	Ireland	143	60,670
USA ²²	136	49,146	USA ²³	31	7,512
Australia	24	873	Australia	20	663
Cayman Islands	19	8,293	Cayman Islands	12	7,363
Luxembourg	10	1,504	Luxembourg	9	1,503
Netherlands	8	1,302	Netherlands	8	1,302
United Arab Emirates	5	276	United Arab Emirates	5	276
South Africa	2	78	South Africa	3	143
Bermuda	1	118	Isle of Man	1	18
Brazil	1	426	Malta	1	-
Isle of Man	1	18	Mauritius	1	2
Malta	1	1	Other (including Cayman Islands)	2,771	1,150,285
Mauritius	1	2			
Other (including Cayman Islands)	2,184	893,549			
Total	3,160	1,257,416	Total	3,508	1,347,579

²¹Top USA states for NAV subdelegation: New York, California, Delaware, Illinois, New Jersey, Maine, North Carolina and Pennsylvania

²³Top USA states for RTA subdelegation: New York, California, Delaware, Illinois, New Jersey and Pennsylvania

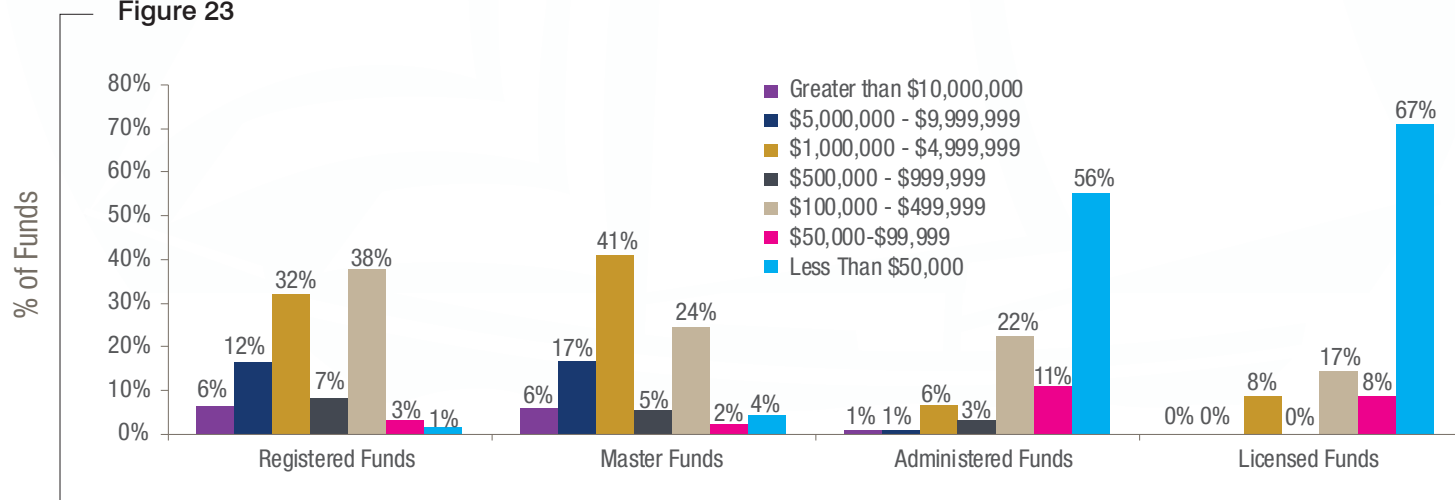
STATISTICAL STAND-ALONE ANALYSIS

MINIMUM INITIAL SUBSCRIPTION

The majority of Registered Funds or 38% require subscription amounts of between \$100,000 to US\$499,999 while the majority of Master Funds 41% require subscriptions of between US\$1 to US\$5 million. The majority of Administered Funds which must have a local Mutual Fund Administrator and Licensed funds, which are open to purchase by the local investors, require subscription amounts of less than US\$50,000. The local Licensed and Administered funds available to the Cayman Islands public are sponsored by the major banks and vary in size from US\$7.5 million to US\$177 million. Eight of these funds are managed by Cayman Islands investment managers and the others are managed by investment managers located in Canada, St Lucia and New York. During 2016, five of the Administered Funds were terminated which leaves twelve active local funds.

Subscription Amount (US\$)	Registered Funds	%	Master Funds	%	Administered Funds	%	Licensed Funds	%
Greater than \$10,000,000	379	6%	166	6%	3	1%	0	0%
\$5,000,000 - \$9,999,999	735	12%	456	17%	2	1%	0	0%
\$1,000,000 - \$4,999,999	2,016	32%	1,097	41%	20	6%	7	8%
\$500,000 - \$999,999	440	7%	145	5%	11	3%	0	0%
\$100,000 - \$499,999	2,401	38%	631	24%	74	22%	15	17%
\$50,000-\$99,999	214	3%	42	2%	37	11%	7	8%
Less Than \$50,000	67	1%	114	4%	186	56%	59	67%
Total	6,252	100%	2,651	100%	333	100%	88	100%

Figure 23

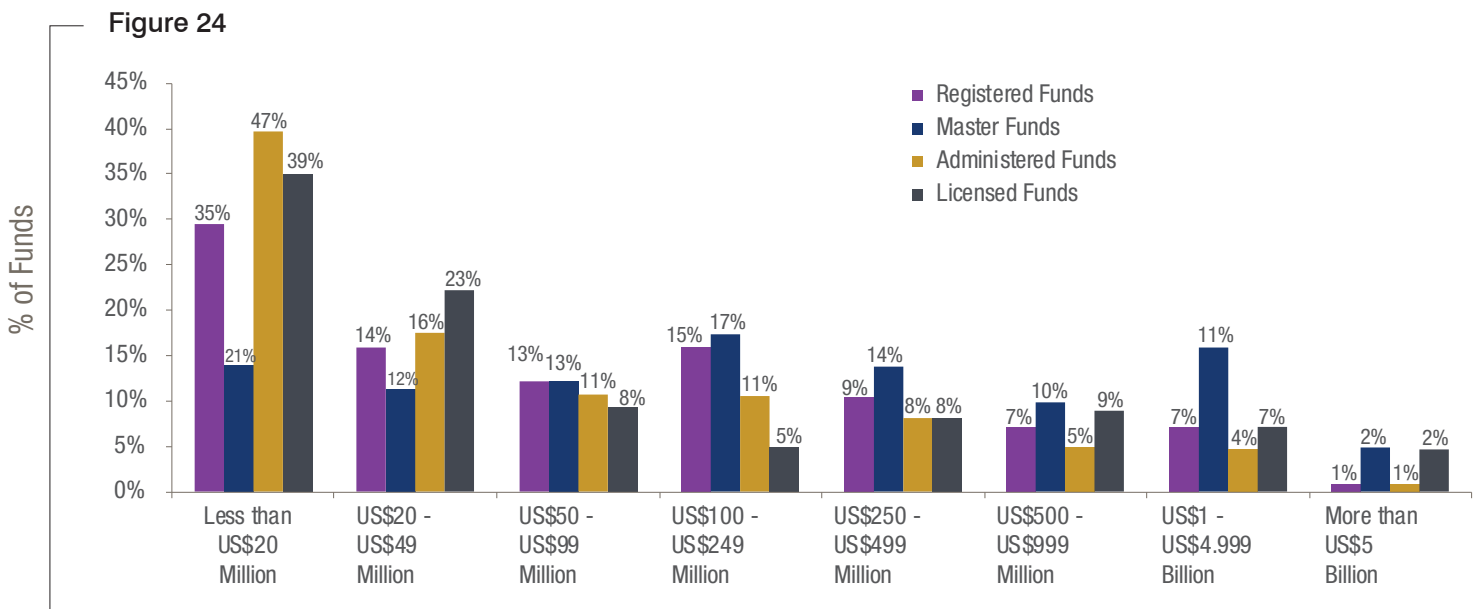


STATISTICAL TREND ANALYSIS

TOTAL ASSET FUND SIZE

The majority or 35% of Registered Funds, 21% of Master Funds, 47% of Administered Funds and 39% of Licensed Funds are smaller than US\$20 million in total assets. In 2016, there were 2 Master Funds with total assets in excess of US\$200 billion. According to the 2017 Global Hedge Fund and Investor Survey by Ernst and Young, Investment managers with larger portfolios have obtained critical mass and can spread operating costs over a larger asset base whereas investment managers with smaller portfolios tend to focus on a single strategy and generate lower operating expense ratios at 36 and 42 basis points respectively. Cayman Islands funds which are mainly considered mid size are still investing to build their operations while juggling products, strategies and marketing initiatives.

Fund Size (US\$ Millions)	Registered Funds	%	Master Funds	%	Administered Funds	%	Licensed Funds	%
Less than US\$20 million	2,187	35%	556	21%	155	47%	34	39%
US\$20 - US\$49 million	896	14%	312	12%	53	16%	20	23%
US\$50 - US\$99 million	789	13%	337	13%	35	11%	7	8%
US\$100 - US\$249 million	916	15%	463	17%	35	11%	4	5%
US\$250 - US\$499 million	570	9%	358	14%	25	8%	7	8%
US\$500 - US\$999 million	429	7%	276	10%	15	5%	8	9%
US\$1 - US\$4.999 billion	429	7%	299	11%	13	4%	6	7%
More than US\$5 billion	36	1%	50	2%	2	1%	2	2%
Total	6,252	100%	2,651	100%	333	100%	88	100%



STATISTICAL TREND ANALYSIS

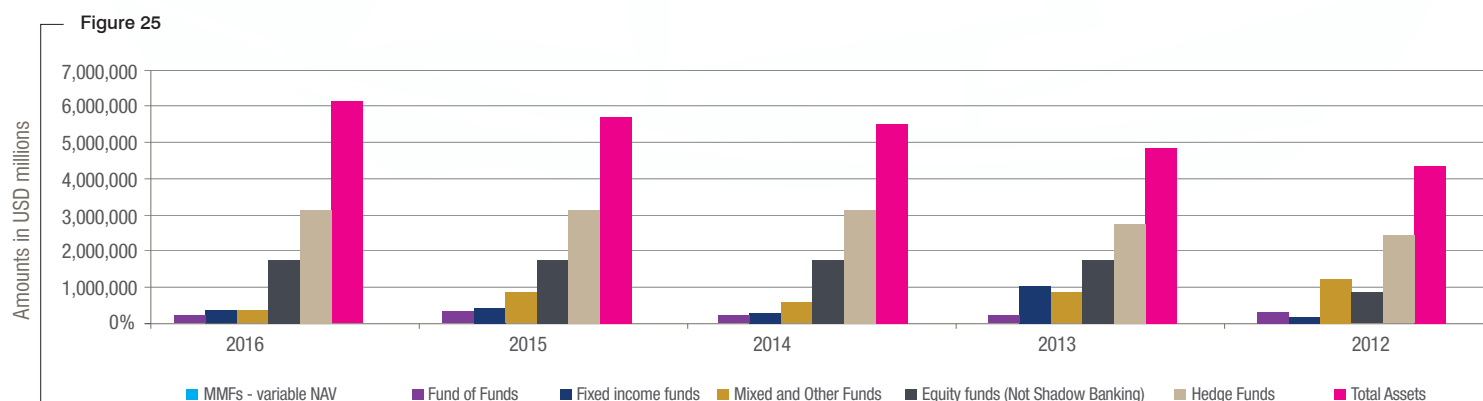
ECONOMIC FUNCTIONS OF INVESTMENT FUNDS

Shadow Banking (“SB”) can broadly be described as “credit intermediation involving entities and activities (fully or partially) outside the regular banking system” or non-bank credit intermediation. Non-bank financing provides a valuable alternative to bank funding, however, if non-bank financing is involved in bank-like activities, it can become a source of systemic risk, both directly and through its interconnectedness with the banking system. After the financial crisis in 2007/8, the Financial Stability Board (FSB), under a directive from G20 Leaders in 2010, began conducting a Global Monitoring exercise to assess global trends and risks in the shadow banking system. As one of the largest offshore jurisdictions for investment funds, CIMA was asked to participate in the Global Monitoring Working Group in 2015.

In 2012, at a meeting of the FSB Regional Consultative Group for the Americas (RCGA) in Bermuda, it was agreed to perform a similar exercise for the Americas (Canada, USA, South and Central America, and Caribbean International Financial Centres). The objective of the project is to determine the size and nature of the shadow banking sector in the Americas and assist in the efforts to transform shadow banking into resilient market-based finance. Members of the RCGA adopted the new guidelines of the FSB Policy Framework in 2016 to group financial entities according to their five economic functions (EF). Cayman Islands investment funds which form part of Other Financial Intermediaries (OFIs) are primarily classified under EF 1 (management of collective investment vehicles with features that make them susceptible to runs) and EF5 - Equity Funds. Equity Funds are classified as not shadow banking because the funds do not engage in credit intermediation. OFIs are a broad measure for Shadow Banking activities and the analysis of Cayman Islands funds based on the license type and economic functions are shown in the table and graph below.

The 2016 Reports of the Global Shadow Banking Monitoring and the RCGA Working Group, dated May 10, 2017 are available at <http://www.fsb.org/2017/05/global-shadow-banking-monitoring-report-2016/> and <http://www.fsb.org/2017/05/rcg-for-the-americas-working-group-on-shadow-banking-third-report/>. The Fourth Reports on the 2016 data are expected in early 2018.

Economic Functions (in USD millions)	2016	2015	2014	2013	2012
Money Market Funds - variable NAV ²⁴	2	4	5	4	3
Fund of Funds	231	246	275	64	236
Fixed Income Funds	436	364	306	466	73
Mixed and Other Funds	431	685	695	953	865
Hedge funds ²⁵	3,255	2,904	2,917	2,588	2,261
Total Shadow Banking	4,355	4,203	4,198	4,075	3,438
Equity Funds - Not Shadow Banking	1,787	1,504	1,407	925	776
Total Assets	6,142	5,707	5,605	5,000	4,214



²⁴ While CIMA is able to collect statistics from funds on their investments in money market instruments, the MMFs – variable NAV represents the Authority preliminary assessment of these types of funds, from limited information submitted through the FAR reporting. However to improve the accuracy of the report, further work is needed in obtaining specific information on the type of funds classified as money market funds, through enhancements to the FAR. Money market funds include commercial paper, T-bills and certificates of deposits but exclude cash and due to/from brokers.

²⁵ Hedge Funds as defined for the Shadow Banking Project are funds with a gross leverage ratio (GNE/NAV) exceeding 125%.

Glossary of Terms

Activism – investors targeting companies they believe are undervalued based on financial statement statistics or investment managers that are equipped with more suitable financial incentives and organizational structures for pursuing agendas such as corporate governance.

Arbitrage – a fund which tries to take advantage of price discrepancies for the same asset in different markets. Convertibles are hybrid securities that combine a straight bond with an equity option.

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.

Blockchain – continuously growing list of records, called blocks, which are linked and secured using cryptography. An open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way.

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.

Collateralised Swaps – financial security collateralised by swaps of different maturities and credit quality and issued in tranches representing the order in which losses from the portfolio are distributed.

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.

Dynamic Trading – a strategy that involves rebalancing hedge positions as market conditions change.

Economic Function – as defined by the Financial Stability Board there are five areas in which the activities of Shadow Banking can be classified.

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 banks to electronically submit a Basel II QPR along with a copy of their annual audited financial statements.

Equity Hedged – buys stocks that are undervalued and short-sells stocks that are overvalued.

Equity Market Neutral – hedge fund strategy that seeks to exploit investment opportunities unique to some specific group of stocks while maintaining a neutral exposure to broad groups of stocks defined for

example by sector, industry, market capitalisation, country or region.

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 (2014 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 (2011 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.

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

FinTech – Financial technology that aims to compete with traditional financial methods in the delivery of financial services

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

Foreign Exchange – purchase and sale of foreign currencies to meet investment objectives.

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.

Global Trading – closed-end or exchange traded fund that can invest in companies located anywhere in the world, including the investor's own country. These funds provide more global opportunities for diversification and act as a hedge against inflation and currency risks.

Gross Notional Exposure – a measure of the economic or market exposure of the funds' positions including the value of leveraged assets.

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

Glossary of Terms (CONTINUED)

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).

Insurance Linked Securities – financial instruments whose values are driven by insurance loss events.

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 fund, while taking into account certain investment restrictions and risk tolerance levels.

Leverage – the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment

Long-only absolute return – funds that aim to deliver positive return regardless of market conditions by balancing traditional longer-term equity investments with other investment techniques with the aim of continuing to generate a positive return even when the value of a market falls.

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.

Managed Futures – investment in government securities, futures contracts and options on futures contracts.

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 (2015 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 (2016 Revision) or the Insurance Law, 2010, or registered under the Building Societies Law (2014 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.

Mortgage-backed securities – an asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans.

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 (2015 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 (2013 Revision) or an Exempted Limited Partnership registered under the Exempted Limited Partnership Law (2014 Revision) that conducts mutual fund administration outside the Islands.

Net Asset Value (NAV) – the monetary market value of a 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.

Glossary of Terms (CONTINUED)

Passive Management/Index – managing of a mutual fund by relying on automatic adjustments such as tracking index instead of making personal judgments.

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

Private Equity – collective investment scheme used for making investments in various equity (and to a lesser extent debt) securities of companies that are not publicly traded or on an exchange.

Real Estate Mutual Fund – type of investment made up of securities usually stocks, of companies that purchase real estate with money collected from investors.

REEFS – Regulatory Enhanced Electronic Forms Submissions – e-reporting system used by CIMA to receive FAR, offering documents, new applications and registrations and changes to existing license information such as directors, investment managers and addresses.

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 on-going basis.

Registrar of Companies – a government body that is within the Cayman Island's General Registry. Registration is governed by the Companies Law (2016 Revision). It is responsible for registration of companies, limited partnerships and exempted trusts.

Return on Gross 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.

Shadow Banking – the Financial Stability Board broadly defines shadow banking as credit intermediation involving entities and activities that are outside of the official banking system.

Short position – investment strategy whereby the investment manager sells shares of borrowed stock in the open market with the expectation that the price of the stock will decrease over time at which point the shares are repurchased in the open market and returned to the owner

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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