

2018

INVESTMENTS

STATISTICAL DIGEST

INTRODUCTION

There were 10,992 mutual funds registered with the Cayman Islands Monetary Authority (CIMA) at the end of 2018, up 433 from 2017.

Number of Funds:

Registered Funds	7,654	(2017: 7,331)
Master Funds	2,946	(2017: 2,816)
Administered Funds	317	(2017: 331)
Licensed Funds	75	(2017: 81)

Total Assets increased by 6% while Ending Net Assets decreased by 3% as at December 31 2018, when compared to the similar period in 2017, despite the slight increase in the total number of funds as at year end 2018. Net loss of US\$30 billion was significantly below the amount reported in 2017 and dividends were US\$2 billion lower.

Total Assets:	US\$7.350 trillion	(2017: US\$6.936 trillion)
Net Asset Value (NAV):	US\$3.916 trillion	(2017: US\$4.033 trillion)
Gross Notional Exposure:	US\$9.264 trillion	(2017: US\$8.453 trillion)
Net (Loss) Income:	US\$-30 billion	(2017: US\$383 billion)
Dividends:	US\$36 billion	(2017: US\$38 billion)

In 2018, total subscriptions and redemptions were down US\$141 billion (12%) and US\$134 billion (11%), respectively compared to 2017. The net outflow, which was a result of redemptions exceeding subscriptions by US\$30 billion, was offset by asset appreciation during the year. At year end, there was a decrease in total Net Assets of US\$117 billion.

About 69% of the Cayman Islands' funds are managed by firms in the United States (US) with Delaware and New York accounting for 3,425 (48%) of the 4,972 US managed funds. The Cayman Islands provides Net Asset Value (NAV) calculation services for 3,386 funds (38%) and registrar and transfer agent services (RTA) for 3,712 funds (42%) of all Cayman Islands funds.

The decline in the number of funds appears to have levelled off following a rebound from the effects of the 2008 financial crisis, when the number of funds fell to 9,258 in 2011 but increased to the highest level at 11,379 two years later in 2013. Since then, the number of funds has declined by 1% in 2015, 3% in 2016, 0.3% in 2017 and increased by 4.10% in 2018.





Table of Contents

Table of Acronyms.....	3
Global Economic Outlook.....	4-5
Graphs for Economic Outlook.....	6
Highlights.....	7
Financial Position - All Funds.....	8
Asset Allocation - All Funds.....	9
Financial Position & Asset Allocation - Registered Funds.....	10
Financial Position & Asset Allocation - Master Funds.....	10
Financial Position & Asset Allocation - Administered Funds.....	12
Financial Position & Asset Allocation - Licensed Funds.....	13
Portfolio Investments by Jurisdiction.....	14
Portfolio Investments by Jurisdiction - Short Positions.....	15
Legal Holder of Funds.....	16
Investment Strategy.....	17-18
Subscriptions, Redemptions and Net Asset Flows by Investment Strategy.....	19-20
Change in Net Assets, Dividends and Net Income by Investment Strategy.....	21-22
Net Assets by Investment Manager Location - USA.....	23
Net Assets by Investment Manager Location - Other.....	24
Net Asset Value (NAV) Calculation Location.....	25
Registrar and Transfer Agent (RTA) Calculation Location.....	26
NAV and RTA Sub-Delegated Location.....	27
Minimum Initial Subscription.....	28
Fund Size by Total Assets.....	29
Economic Functions of Investment Funds.....	30

Table of Acronyms

CIMA - Cayman Islands Monetary Authority

CPIS - Coordinated Portfolio Investment Survey

EFT - Electronic Funds Transfers

ESO - Economics and Statistics Office

ETF - Exchange Traded Funds

FAR - Funds Annual Return

FSI - Financial Soundness Indicator

GDP - Gross Domestic Product

GFSR - Global Financial Stability Report

GNE - Gross Notional Exposure

IIP - International Investment Position

IMF - International Monetary Fund

ISD - Investment Supervision Division

LT - Long Term

MSCI - Morgan Stanley Capital International

NAV - Net Asset Value

RTA - Registrar and Transfer Agent

ST - Short Term

UK - United Kingdom

USA/US - United States of America

US\$ - United States Dollar

Global Economic Outlook

2019-2020

According to the IMF report on global economic outlook October 2018, growth is projected to pick up by 3.4% in 2020 (a 0.2% points downward revision compared with April 2018 forecast), reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe that are under macroeconomic strain. Yet, with uncertainty about prospects for several of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued pace of global activity could well materialize. To forestall such an outcome, policies should decisively aim at defusing trade tensions, reinvigorating multilateral cooperation, and providing timely support to economic activity where needed. To strengthen resilience, policymakers should address financial vulnerabilities that pose risks to growth in the medium term. Making growth more inclusive, which is essential for securing better economic prospects for all, should remain an overarching goal.

Markets sold off sharply in the fourth quarter of 2018, broadly across asset classes, amid growing signs of a slowing global economy and rising concerns about US-China trade tensions. Against a backdrop of rising downside risks, policymakers across the globe took steps to prevent a sharper deceleration of the economy. Such a forceful response supported market sentiment and triggered a sharp rebound in risk assets. Despite the improvement, financial markets remain susceptible to a sudden tightening in financial conditions. Potential triggers include a sharp repricing of risk, an intensification of trade tensions, a further slowdown in global economic activity, or political shocks.

Financial conditions tightened since the October 2018 Global Financial Stability Report (GFSR) but remained relatively accommodative, notably in the US. After sharp declines in the fourth quarter of 2018, financial markets rebounded strongly in early 2019 on growing optimism about US-China trade negotiations and as major central banks adopted a more patient and flexible approach to monetary policy normalization. Such a dovish shift in the outlook for monetary policy in advanced economies has helped sustain positive market sentiment despite growing signs of weakening global growth (as discussed in the April 2019 World Economic Outlook).

While financial conditions were accommodative, vulnerabilities continued to build. The tightening in financial conditions in the fourth quarter of 2018 was too short-lived to meaningfully slow the buildup of vulnerabilities, leaving medium-term risks to global financial stability broadly unchanged. Financial vulnerabilities were elevated in the sovereign, corporate, and nonbank financial sectors in several systemically important countries. As the credit cycle matures, corporate sector vulnerabilities—which appear elevated in about 70% of systemically important countries (by GDP)— could amplify an economic downturn. This report presents a comprehensive assessment of balance sheet vulnerabilities across financial and nonfinancial sectors, and focuses on a number of specific vulnerabilities in advanced and emerging market economies.

For the foreseeable future, several risks could trigger a renewed sell-off of risk assets that will likely facilitate further buildup of vulnerabilities. These vulnerabilities could be exposed in the event of a sharp tightening in financial conditions. Possible triggers include the following:

A sharper-than-expected global growth slowdown; disappointing economic data releases could lead to further earnings downgrades, poor credit performance, and a repricing of risk assets. A lack of policy space (monetary or fiscal) to accommodate adverse shocks would amplify this risk.

Unexpected shifts to a less dovish outlook for monetary policy in advanced economies: In the US investor sentiment has improved since the Federal Reserve signaled a change in its stance, and markets have rallied. A change in expectations stemming from stronger-than-expected economic data releases or the possibility that investors have taken too benign a view regarding the outlook for monetary policy in the United States could lead to a sharp repricing of risk assets. In this event, pressures on emerging markets could resume through disruptions in cross-border capital flows.

Protracted trade tensions: Expectations of a positive outcome in the US-China trade negotiations have lifted asset valuations in trade-dependent sectors, even though China's export orders have ebbed. An escalation of trade tensions would likely trigger a renewed sell-off. A stalemate in the Brexit process threatens to unsettle financial markets, damage investors' confidence, adversely affect business investment, and give rise to some operational and contractual uncertainties in Europe and the United Kingdom (UK).

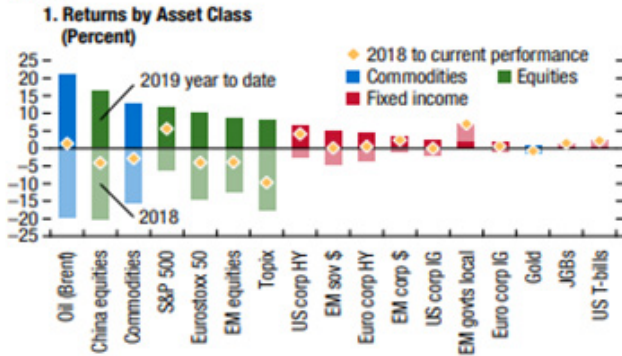
The European Union (EU) adopted time-limited equivalence decisions for UK central counterparties and central securities depositaries in the event of a no-deal Brexit. The UK has also put in place temporary permission measures. In addition, post crisis reforms and supervisory actions have strengthened the liquidity positions of banks, dealers, and insurance companies. Authorities urged market participants to prepare for all Brexit outcomes and the private sector has reportedly undertaken a number of steps. Insurance companies are making good progress in restructuring their business in order to continue to serve their customers after Brexit and there has also been some limited private sector action to transfer derivative contracts. Although reduced compared to the previous GFSR, risks remain, including around the continued performance of lifecycle events on some uncleared derivative contracts; operational risks for banks, insurers, and asset managers; and market-wide issues such as reduced market liquidity, and risk management challenges and supervisory constraints. Market liquidity has proven resilient thus far, although there has been heightened volatility in the gilt market around significant Brexit-related announcements.

Global Economic Outlook

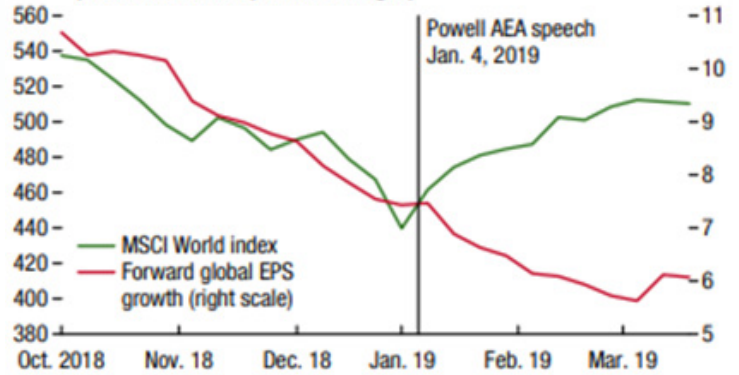
2019-2020

Figure 1.1. Global Market Developments

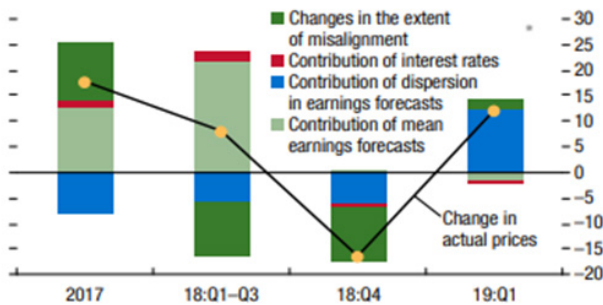
After posting negative returns in 2018, asset prices rebounded this year ...



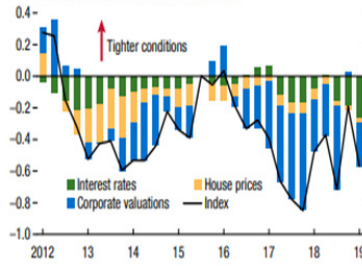
2. Global Equity Prices and Forward EPS Forecasts (Index and annual percent changes)



US Equity Market: Changes in Prices and Contributions to Valuations (Percent and percent contributions; cumulative)



1. Financial Conditions Index: United States



2. Financial Conditions Index: Euro Area

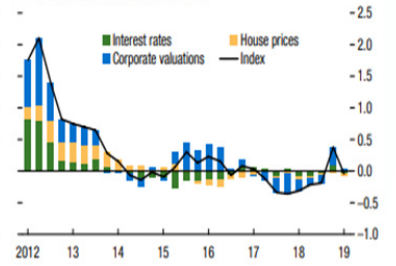
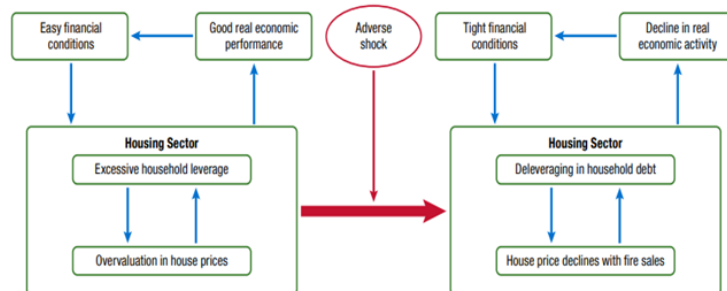


Figure 2.2. House Prices and Financial Stability

Accumulation of vulnerability in the housing sector under easy financial conditions ...

... may result in a vicious cycle between the housing, financial, and real economic sectors.



Source: Global Financial Stability Report 2019 3 (a)

US \$3.916
Trillion
Net Asset Value

Statistical Trend Analysis

HIGHLIGHTS

The total net asset value of Cayman Islands funds decreased by 3% in 2018 compared to an increase of 12% in 2017. This decrease was driven by net loss of US\$30 billion and net asset outflow of US\$30 billion in which redemptions exceeded subscriptions despite the increase in the total number of funds in 2018. As a result, total return on gross assets was -0.41% (2017: 5.52%) and total return on net assets was -0.76% (2017: 9.5%). The reason for the decline is that markets sold off sharply in the fourth quarter of 2018, broadly across asset classes, amid growing signs of a slowing global economy and rising concerns about US-China trade tensions and tightened financial conditions in the fourth quarter of 2018.

Dividend distributions were lower at US\$36 billion (2017: US\$38 billion) and so too were performance fees which were down 50% to US\$11 billion compared to the prior year. Fees remain a key issue at the forefront of the fund industry and investment managers are evolving both in what fee is charged and how and when it is levied. The number of Fund Annual Returns (FAR) submissions received in 2018 were 9,372¹ (2017: 9,323) representing 85% of all investment funds.²

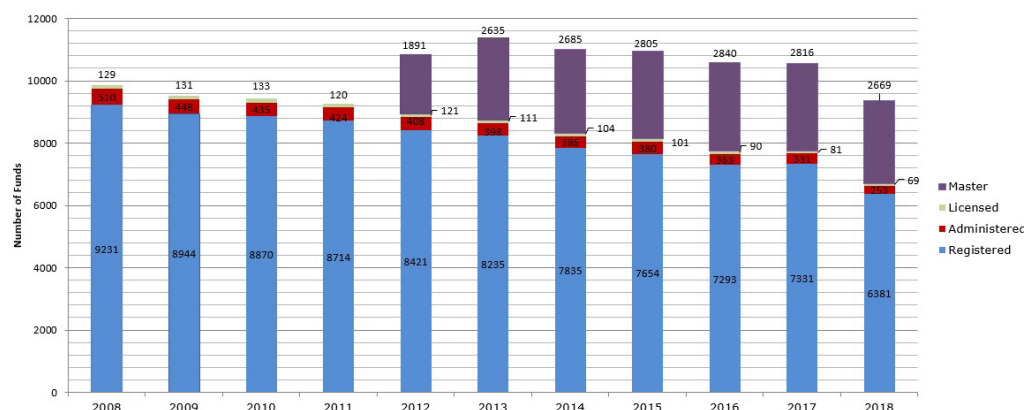
According to research, the pace of change in the US mutual fund industry has been rapid, and that has created both challenges and opportunities for firms to adapt quickly to remain relevant. Four key

areas have been identified as key for firms to stay competitive in the fast-changing environment and these are strategic positioning, technology transformation, value for money and battle for talent. Despite pressures on profitability, investments in top talent are essential to ensure the ability to transform firms and drive success. The ability to deliver an innovative, technology-enabled, and seamless client experience will continue to create value for both investors and managers. Adoption of integrated platforms that manage all activities—investments, distribution, reporting, operations, and regulatory compliance will make firms competitive and efficient. Successful firms will be those that gain better insights by using artificial intelligence, robotic process automation, data, and analytics.

Figure 1

	2018	2017
Net Asset Value	US\$3.916 trillion	US\$4.033 trillion
Total Assets	US\$7.350 trillion	US\$6.936 trillion
Gross Notional Exposure	US\$9.264 trillion	US\$8.453 trillion
Total Subscriptions	US\$1.049 trillion	US\$1.190 trillion
Total Redemptions	US\$1.079 trillion	US\$1.213 trillion
Net (Loss) Income	US\$30 billion	US\$383 billion
Dividends	US\$36 billion	US\$38 billion
Total performance fees	US\$11 billion	US\$22 billion
Return on Gross Assets	-0.41%	5.52%
Return on Net Assets	-0.76%	9.50%
Top location of Investment Managers by ending net assets	United States of America (69%)	United States of America (69%)
Primary location for Net Asset Value (NAV) calculation services	Cayman Islands (38%)	Cayman Islands (37%)
Primary location for Registrar and Transfer Agent (RTA) services	Cayman Islands (42%)	Cayman Islands (40%)
% of Funds requiring a minimum initial investment of US\$1M or more	51%	52%
Top two investment strategies	Multi-Strategy (29%) Long/Short Equity (20%)	Multi-Strategy (25%) Long/Short Equity (19%)
% of total number of funds with leverage at 100% or more	Registered Funds - 54%	Registered Funds - 64%
	Master Funds - 54%	Master Funds - 59%
	Administered Funds - 20%	Administered Funds - 32%
	Licensed Funds - 35%	Licensed Funds - 44%
Side pockets implemented during the year to separate liquid assets	349 funds	335 funds
Gate on redemptions implemented during the year	445 funds	393 funds
Equity interest redeemed during the year	893 funds	872 funds
Trading of equities suspended during the year	541 funds	501 funds
Funds currently subject to regulatory investigation	61 funds	75 funds
Funds with intention to terminate	1,101 (12%)	1,077 funds (12%)

Figure 2



¹ At the date of compilation of this issue of the Digest 9,372 funds had successfully filed a FAR.

² The data presented consists of 6,381 Registered Funds, 253 Administered Funds, 69 Licensed Funds and 2,669 Master Funds.

*Due to rounding, subtotals may differ from the total sum.

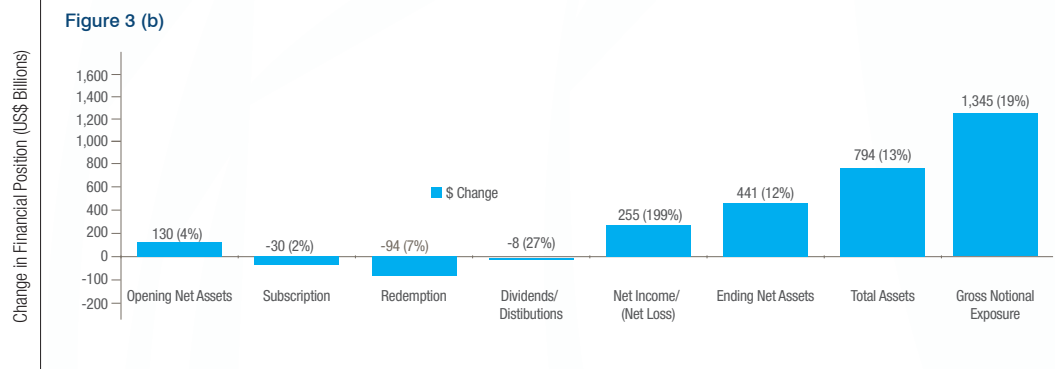
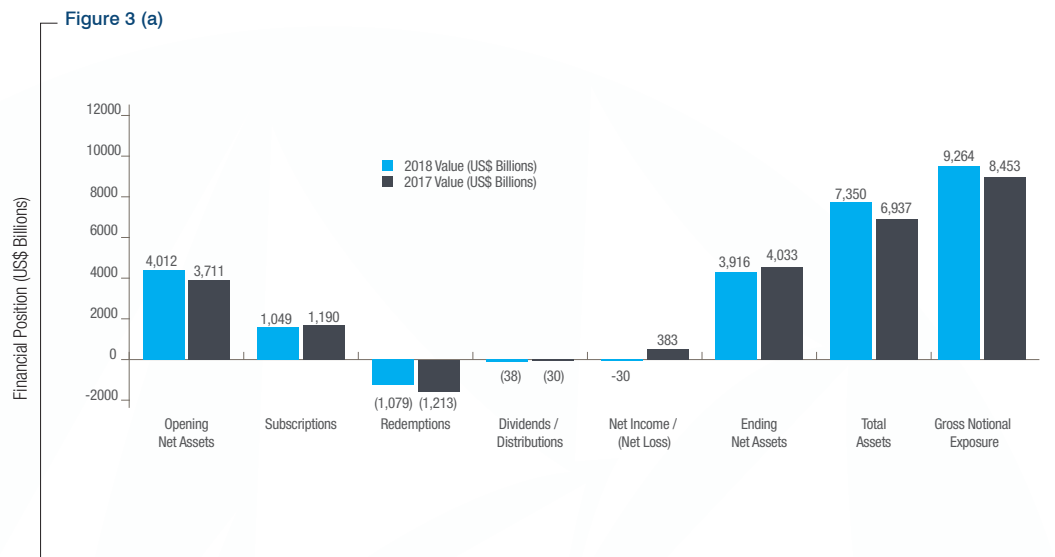
Statistical Trend Analysis

FINANCIAL POSITION - ALL FUNDS

Total subscriptions of US\$1.049 trillion were 12% lower than in 2017 and total redemptions of US\$1.079 trillion were 11% lower. In 2018, there was a net asset outflow of US\$30 billion compared to net outflow of US\$23 billion in 2017. Per industry sources, the leading reasons for redemptions by investors was under performance relative to benchmarks or targets, level of returns not justifying fees and the availability of alternate investments such as Exchange Traded Funds.⁴

The total net loss of US\$30 billion as at December 31, 2018 was significantly lower than US\$383 billion in income reported in 2017. The US-China trade war had a significant impact on financial performance in the last quarter of 2018. As a result, the return on gross assets in 2018 dropped to -0.41% when compared to 2017 and the return on net assets was -0.76%, down from 9.5% in 2017.

The decline in net assets in 2018 was driven by several factors that weighed on global stock markets and foreign exchange markets, particularly in the fourth quarter. Chief among them was the fear of a severe slowdown in global economic growth, stemming in part from lower-than-expected economic growth in China and deteriorating trade relations between China and the US. In 2018, US stocks fell 5.3%. Stock markets elsewhere in the world also weakened. For example, European stock markets fell 14.3% in 2018, while Asia-Pacific stock markets fell 13.3%. In addition, the euro depreciated 4.5% against the US dollar in 2018, reducing the value of euro denominated assets when measured in US dollars. In the Asia-Pacific region in 2018, the Australian dollar depreciated 10% and the Chinese renminbi depreciated 5% against the US dollar.⁴



Financial Position (US\$ Billions) ³	2018	2017	\$ Change	% Change
Opening Net Assets	4,012	3,711	302	8%
Subscriptions	1,049	1,191	(142)	-12%
Redemptions	(1,079)	(1,213)	(134)	-11%
Dividends / Distributions	(36)	(38)	2	-5%
Net (Loss) Income	(30)	383	(413)	-108%
Ending Net Assets	3,916	4,033	(117)	-2.90%
Total Assets	7,350	6,936	414	5.97%
Gross Notional Exposure	9,264	8,453	811	9.59%
Return on Gross Assets	-0.41%	5.53%		
Return on Net Assets	-0.76%	9.50%		

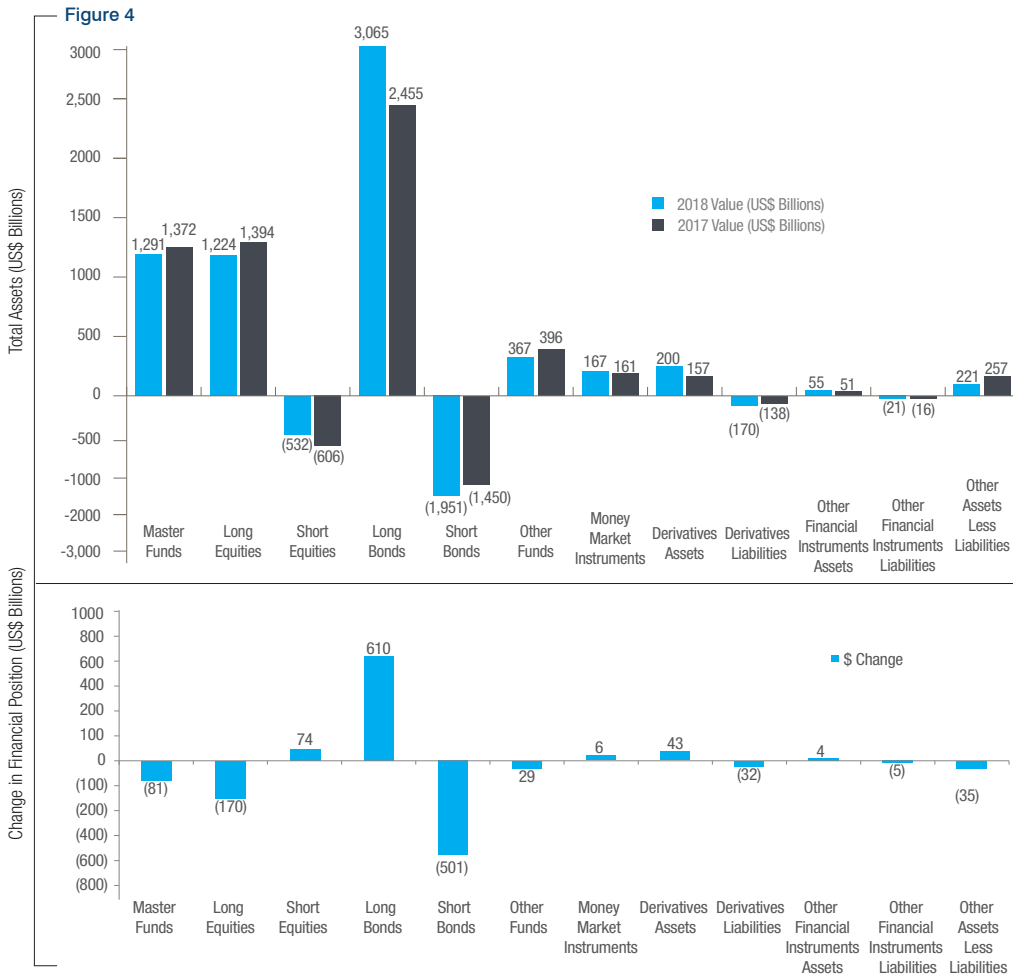
³ The increase from the 2017 ending net assets to the 2018 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2017, resulting in a different set of funds filing a 2017 FAR when compared to 2016.

⁴ Due to rounding, subtotals may differ from the total sum.

⁴ Source 2019 Investment Company Factbook.

Statistical Trend Analysis

ASSET ALLOCATION - ALL FUNDS



Asset Allocation ⁵	2018 Value (US\$ Billions)	2018 % Allocated	2017 Value (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	1,291	14.27%	1,372	16.22%	(81)	-5.91%
Long Equities	1,224	13.53%	1,394	16.48%	(170)	-12.19%
Short Equities	(532)	5.89%	(606)	7.16%	74	-12.22%
Long Bonds	3,065	33.90%	2,455	29.03%	610	24.85%
Short Bonds	(1,951)	21.58%	(1,450)	17.15%	(501)	34.55%
Other Funds	367	4.05%	396	4.68%	(29)	-7.32%
Money Market Instruments	167	1.85%	161	1.91%	6	3.87%
Derivatives Assets	200	2.22%	157	1.86%	43	27.56%
Derivatives Liabilities	(170)	1.88%	(138)	1.64%	(32)	22.95%
Other Financial Instruments Assets	55	0.60%	51	0.61%	4	7.82%
Other Financial Instruments Liabilities	(21)	0.23%	(16)	0.19%	(5)	30.45%
Other assets less liabilities	222	0.00%	257	3.06%	(35)	-13.62%
Total Net Asset Value	3,916	100%	4,033	100%	(117)	-2.89%
Gross Notional Exposure	9,264		8,453		811	9.59%

⁵ The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

*Due to rounding, subtotals may differ from the total sum.

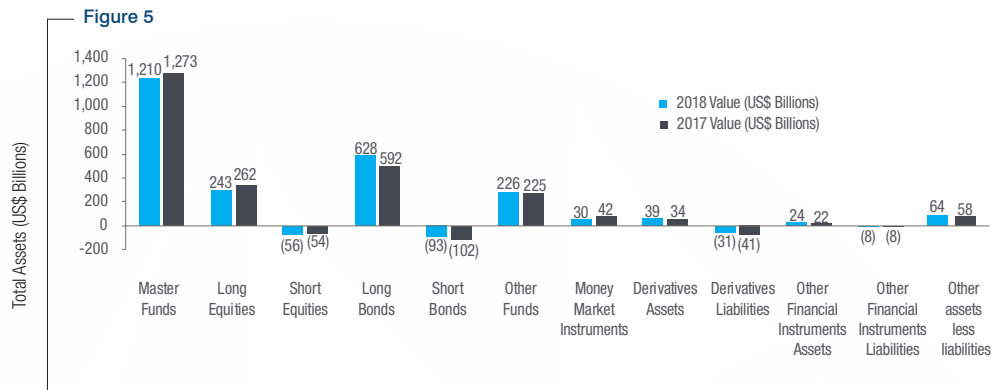
Despite challenging financial markets in 2018, overall demand for worldwide regulated long-term funds (equity, bond, and mixed/other) as measured by net sales calculated as total sales less total redemptions plus net exchanges, remained positive. Total ending net assets for Long Bonds increased by US\$610 billion due in part to increase in net sales in Asia-Pacific in 2018. There were decreases of US\$170 billion in Long Equities, US\$81 billion in Master Funds, US\$501 billion in Short Bonds and US\$28 billion in Other Funds. The largest decline in equity fund investments occurred in the United States, where equity funds recorded US\$85 billion in net sales in 2018 compared with US\$306 billion in 2017. Although index equity funds in the US had strong net sales in 2018, they were down from their historical peak in 2017. In addition, outflows from actively managed equity funds in the US continued in 2018. In Europe, net sales of equity funds were strong at the start of 2018, as stock prices around the world were rising. Long Bonds, in which the price decreases as interest rates increase and provides investors with safety amidst the fear of a recession, increased by 24.85% in 2018. Long Bonds continue to be the most prominent asset type representing 33.09% of total net assets (2017: 29.04%). Flows to Long Equities, which were down 12.19%, tend to rise and fall with stock prices and in 2018, investors were attracted to equity funds due to increased economic activity around the globe, including emerging markets as international equities were very attractive on a price-earnings basis. Short Bonds, an investment in which the investment manager sells first and buys later in anticipation that the price will drop, experienced the highest growth at 34.55% while Other Financial Instruments Liabilities increased by 30.45%, in 2018. Gross Notional Exposure of US\$9.2 trillion was 9.59% higher than in 2017.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - REGISTERED FUNDS

The total number of Registered Funds in 2018 was 7,656 compared to 7,331 in 2017 a net increase of 325. Total net assets decreased by US\$26 billion in 2018 after increasing by US\$316 billion (16%) in 2017.

There were 6,318 FARs received representing an 83% submission rate. There was a net asset inflow of US\$20 billion as subscriptions of US\$642 billion exceeded redemptions of US\$622 billion. This was inconsistent with the position of the prior year in which there was a net asset outflow as redemptions were US\$55 billion higher than subscriptions. Net loss in 2018 was US\$28 billion (2017: Income of US\$189 billion) representing a contraction of 115% and total dividends distributed were US\$19 billion compared to US\$20 billion in 2017. Master Funds, representing 46.92% of total asset allocation, remained the most prominent investment type.



Financial Position (US\$ Billions) ⁶	2018	2017	\$ Change	% Change
Opening Net Assets	2,303	2,079	224	11%
Subscriptions	642	827	(185)	-22%
Redemptions	(622)	(772)	150	-20%
Dividends/Distributions	(19)	(20)	(1)	-6%
Net (Loss) Income	(28)	189	(217)	-115%
Ending Net Assets	2,276	2,303	(27)	-1%
Total Assets	2,645	2,708	(63)	-2%
Gross Notional Exposure	2,588	2,715	(127)	-5%

Asset Allocation ⁷	2018 Value (US\$ Billions)	2018 % Allocated	2017 Value (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	1,210	45.63%	1,273	46.87%	(63)	-4.91%
Long Equities	243	9.14%	262	9.66%	(19)	-7.24%
Short Equities	(56)	2.11%	(54)	1.99%	(2)	3.62%
Long Bonds	628	23.69%	592	21.81%	36	6.09%
Short Bonds	(93)	3.50%	(102)	3.76%	9	-9.06%
Other Funds	226	8.54%	225	8.29%	1	0.60%
Money Market Instruments	30	1.15%	42	1.56%	(12)	-28.45%
Derivatives Assets	39	1.48%	34	1.27%	5	14.55%
Derivatives Liabilities	(31)	1.16%	(41)	1.52%	10	-24.17%
Other Financial Instruments Assets	24	0.89%	22	0.82%	2	8.97%
Other Financial Instruments Liabilities	(8)	0.31%	(8)	0.31%	0	0.00%
Other assets less liabilities	64	2.41%	58	2.14%	5	10.34%
Total Net Asset Value	2,277	100%	2,303	100%	(27)	-1.15%

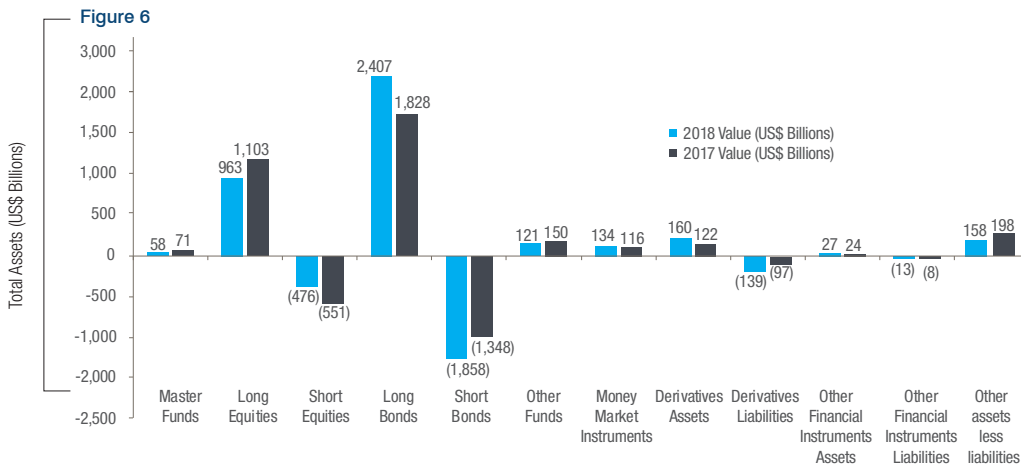
⁶The increase from the 2017 ending net assets to the 2018 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2018, resulting in a different set of funds filing a 2018 FAR when compared to 2017.

⁷ The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

*Due to rounding, subtotals may differ from the total sum.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - MASTER FUNDS



The total net assets in Master Funds decreased by 4% (2017: 8%) to US\$1,542 billion down from US\$1,608 billion in 2017. This was due to a decrease in the number of Master Funds on a year on year basis. As in the prior year, there was a net asset outflow of US\$45 billion (2017: US\$74 billion) as redemptions of US\$421 billion exceeded subscriptions of US\$376 billion. Total net income decreased by 99% (US\$180 billion). Dividends distributed were consistent at US\$12 billion, same as in 2017. Long Bonds which account for about a third of total asset allocation increased by 26% in 2018 and Other Financial Instruments Liabilities were down 75%. The number of FARs received for Master Funds was 2,669 or a 91% submission rate.

Financial Position (US\$ Billions) ⁸	2018	2017	\$ Change	% Change
Opening Net Assets	1,597	1,513	84	6%
Subscriptions	376	326	50	15%
Redemptions	(421)	(400)	(21)	5%
Dividends / Distributions	(12)	(12)	0	0%
Net Income	2	181	(179)	-99%
Ending Net Assets	1,542	1,608	(66)	-4%
Total Assets	4,601	4,099	502	12%
Gross National Exposure	6,357	5,614	743	13%

Asset Allocation ⁹	2018 Value (US\$ Billions)	2018 % Allocated	2017 Value (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	58	0.90%	71	1.25%	(13)	-18.34%
Long Equities	963	14.79%	1,103	19.51%	(140)	-12.65%
Short Equities	(476)	7.31%	(551)	9.74%	75	-13.58%
Long Bonds	2,407	36.95%	1,828	32.32%	579	31.71%
Short Bonds	(1,858)	28.52%	(1,348)	23.84%	(510)	37.85%
Other Funds	121	1.86%	150	2.66%	(29)	-19.47%
Money Market Instruments	134	2.06%	116	2.04%	18	15.57%
Derivatives Assets	160	2.46%	122	2.15%	38	31.44%
Derivatives Liabilities	(139)	2.13%	(97)	1.71%	(42)	43.18%
Other Financial Instruments Assets	27	0.42%	24	0.42%	3	14.64%
Other Financial Instruments Liabilities	(13)	0.20%	(8)	0.14%	(5)	67.09%
Other assets less liabilities	158	2.43%	198	3.53%	(40)	-20.20%
Total Net Asset Value	1,542	100%	1,608	100%	(66)	-4.10%

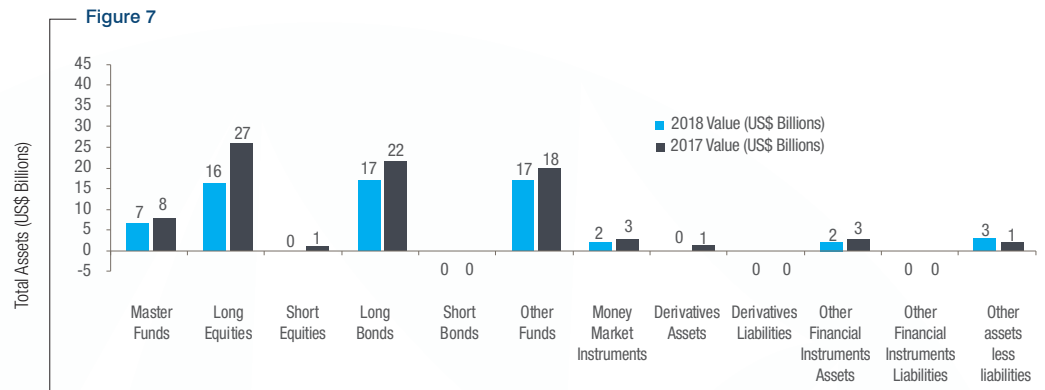
⁸The increase from the 2017 ending net assets to the 2018 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2018, resulting in a different set of funds filing a 2018 FAR when compared to 2017.

⁹Due to rounding, subtotals may differ from the total sum.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - ADMINISTERED FUNDS

There were 317 Administered Funds registered with CIMA in 2018 down 78 from 2017. The number of FARs received was 253 or an 80% submission rate. Total net assets were down 22% to US\$64 billion from US\$82 billion and total redemptions of US\$26 billion exceeded subscriptions of US\$22 billion resulting in net asset outflow of US\$4 billion. There was significant decline in financial performance in the fourth quarter of 2018 resulting in net loss of \$2 billion that was 126% lower than the net income of US\$9 billion in 2017. Total dividends declined from US\$5 billion to US\$4 billion in 2018. Long Equities accounted for 25.70% while Other Funds and Long Bonds were 27.70% of the total asset allocation.



Financial Position (US\$ Billions) ¹⁰	2018	2017	\$ Change	% Change
Net Income	74	83	(12)	-10%
Subscriptions	22	26	(4)	-14%
Redemptions	(26)	(31)	4	14%
Dividends / Distributions	(5)	(5)	1	-13%
Net (Loss) Income	(2)	9	(11)	-126%
Ending Net Assets	64	82	(18)	-22%
Total Assets	68	87	(20)	-23%
Gross Notional Exposure	63	84	(21)	-25%

Asset Allocation ¹¹	2018 Value (US\$ Billions)	2018 % Allocated	2017 Value (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	7	10.68%	8	10.06%	(1)	-15.99%
Long Equities	16	25.70%	27	31.77%	(11)	-39.38%
Short Equities	0	0.43%	1	1.19%	(1)	-100.00%
Long Bonds	17	27.76%	22	26.21%	(5)	-20.63%
Short Bonds	0	0.09%	0	0.00%	0	0.00%
Other Funds	17	27.71%	18	20.88%	1	-0.56%
Money Market Instruments	2	3.53%	3	3.37%	(1)	-21.52%
Derivatives Assets	0	0.72%	1	0.64%	(1)	-54.93%
Derivatives Liabilities	0	0.30%	0	0.31%	0	0.00%
Other Financial Instruments Assets	2	3.06%	3	3.26%	(1)	-29.76%
Other Financial Instruments Liabilities	0	0.04%	0	0.03%	0	0.00%
Other assets less liabilities	3	0.00%	1	2.38%	2	200.00%
Total Net Asset Value	65	100%	83	100%	(18)	-22%

¹¹ The increase from the 2017 ending net assets to the 2018 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2018, resulting in a different set of funds filing a 2018 FAR when compared to 2017.

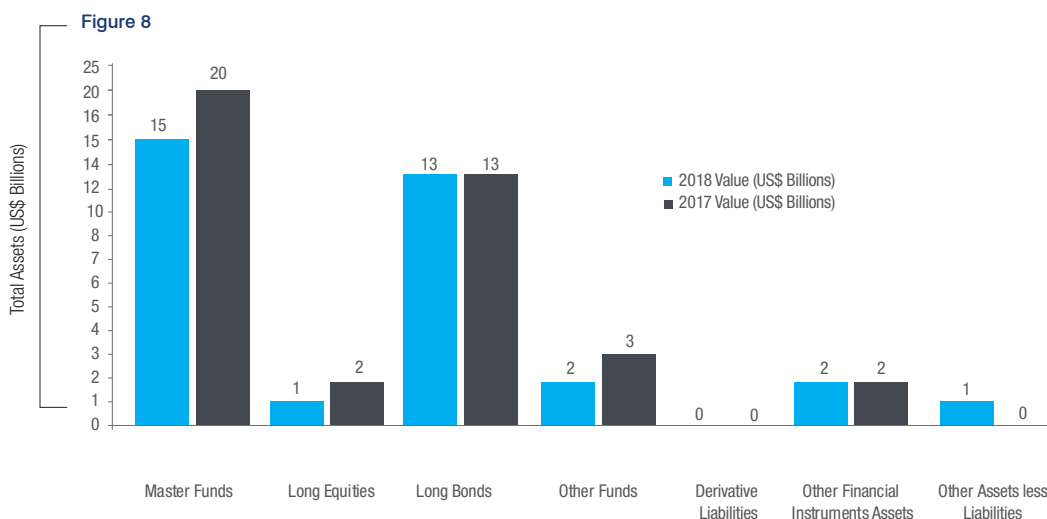
¹² The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR.

*Due to rounding, subtotals may differ from the total sum.

Statistical Trend Analysis

FINANCIAL POSITION & ASSET ALLOCATION - LICENSED FUNDS

There were 6 fewer Licensed Funds in 2018 compared to 2017. 69 FARs were received representing a 92% submission rate. Total net assets were US\$32 billion (2017: US\$40 billion) 21% lower than in 2017. Total subscriptions of US\$9 billion equaled redemptions of US\$9 billion, net loss was US\$1 billion (2017: Net income of US\$4 billion) and dividends were US\$1 billion (2017: US\$1 billion). Investments in Master Funds which accounted for 22% of total net asset allocation were lower in 2018 as were Other Funds down 34.70% and Derivative Liabilities down 27.72%.



Financial Position (US\$ Billions) ¹²	2018	2017	\$ Change	% Change
Opening Net Assets	36	36	0	0%
Subscriptions	9	11	(3)	-24%
Redemptions	(9)	(10)	0	-5%
Dividends/Distributions	(1)	(1)	0	-12%
Net (Loss) Income	(1)	4	(5)	-129%
Ending Net Assets	34	40	(6)	-15%
Total Assets	34	42	(8)	-19%
Gross Notional Exposure	34	40	(6)	-15%

Asset Allocation ¹³	2018 Value (US\$ Billions)	2018 % Allocated	2017 Value (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	15	47.11%	20	50.00%	(5)	-25.25%
Long Equities	1	4.52%	2	5.00%	(1)	-65.63%
Long Bonds	13	38.17%	13	32.50%	0	0.00%
Other Funds	2	5.03%	3	7.50%	(1)	-34.70%
Derivative Liabilities	0	-0.82%	0	-0.96%	0	0.00%
Other Financial Instruments Assets	2	5.99%	2	6.37%	0	0.00%
Other assets less liabilities	1	0.00%	0	0.00%	1	0.00%
Total Net Asset Value	34	100%	40	100%	(6)	-15%

¹² The increase from the 2017 ending net assets to the 2018 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2018, resulting in a different set of funds filing a 2018 FAR when compared to 2017.

*Due to rounding, subtotals may differ from the total sum.

Statistical Stand-Alone Analysis

PORTFOLIO INVESTMENTS BY JURISDICTION

The data in Figure 9 (a) is based on the jurisdiction of the issuer of securities held by the fund and is collected to facilitate participation in the annual International Monetary Fund's Coordinated Portfolio Investment Survey. As expected, the majority of securities are issued by the US capital markets followed by investments attributed to Cayman Islands Master Funds.

the investment allocation to other developed countries such as Australia and Luxembourg and offshore centers such as Bermuda and Singapore increased.

The investment by Cayman Islands funds in Master Funds increased by US\$14 billion over the prior year. Consistent with the negative performance of the stock market in 2018, equity investments in the US decreased by US\$98 billion. Investments in equity securities issued by companies in China remained the same at US\$42 billion between 2017 and 2018, as the capital markets there continued to grow in size and sophistication. Investments in securities issued in Germany rose by US\$22 billion and Canada by US\$9 billion, while

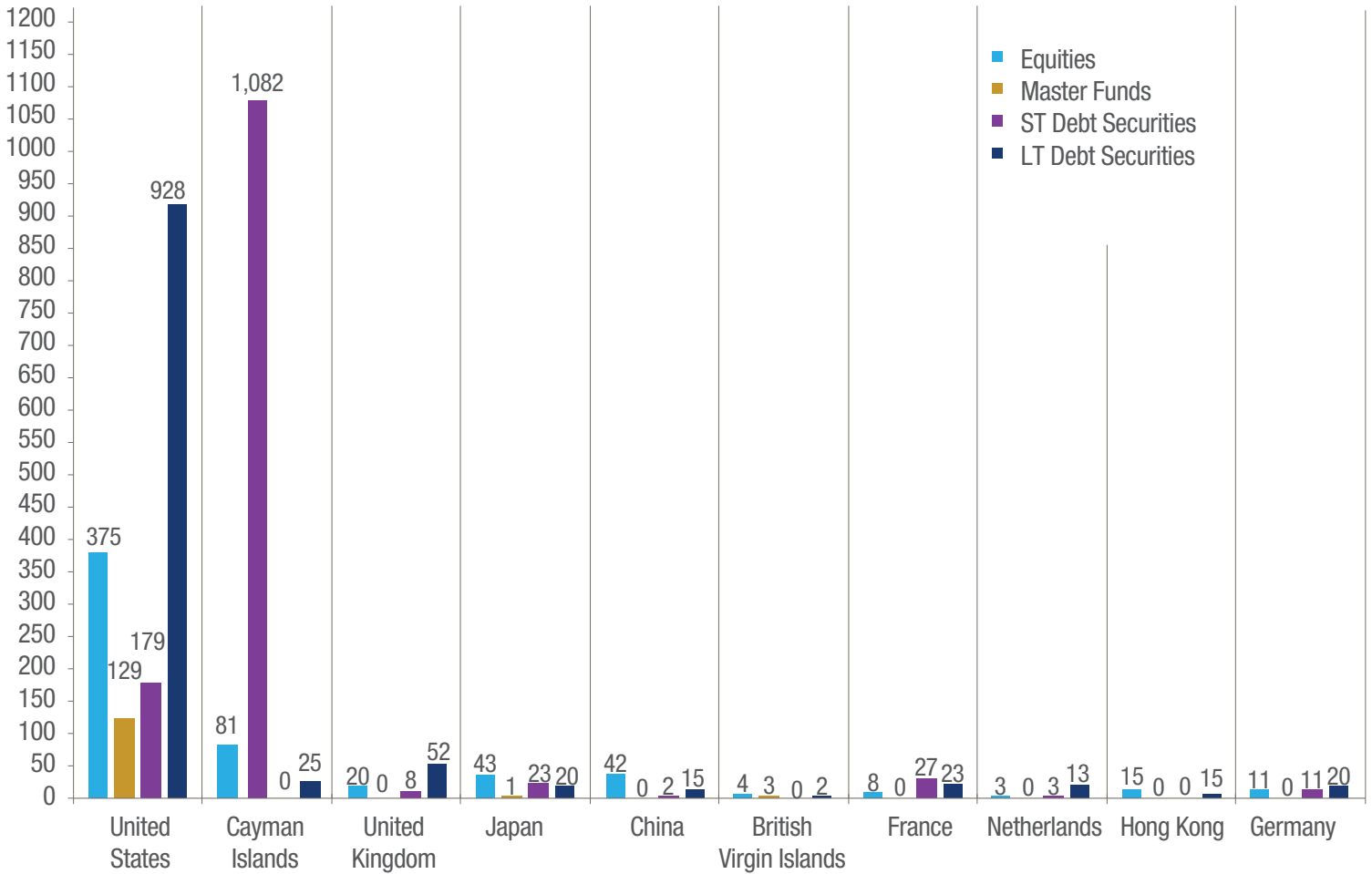
Figure 9 (a)

Jurisdiction of Issuer (Amounts in US\$ Billions)	Total Portfolio Assets		Equities		Master Funds		ST Debt Securities		LT Debt Securities	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
United States	1,612	1,312	375	473	129	126	179	107	928	606
Cayman Islands	1,189	1,180	81	101	1,082	1,068	0	0	25	11
United Kingdom	80	71	20	18	0	0	8	21	52	32
Japan	87	60	43	44	1	1	23	7	20	8
China	58	53	42	42	0	0	2	2	15	9
British Virgin Islands	8	43	4	5	3	36	0	0	2	2
France	58	40	8	8	0	0	27	15	23	17
Netherlands	20	29	3	8	0	0	3	8	13	13
Hong Kong	20	25	15	19	0	0	0	1	5	5
Ireland	32	21	11	12	0	7	11	0	20	2
Germany	42	20	11	9	16	0	1	3	4	8
Canada	25	16	10	6	0	0	2	2	13	8
Curacao	23	16	0	0	23	16	0	0	0	0
Denmark	2	4	0	2	0	0	0	0	2	2
Sweden	8	1	3	0	0	0	0	0	6	1
Other Developed Countries	110	86	20	24	9	8	20	11	61	43
Developing Asia and the Pacific	27	25	19	17	0	0	1	1	8	7
Other Offshore Centres	19	21	12	11	4	5	0	1	2	4
Developing Latin America and the Caribbean	21	20	8	7	0	0	1	1	12	12
Developing Europe	8	9	3	4	0	0	0	0	5	5
Developing Africa and the Middle East	9	9	4	3	0	0	0	0	5	6
Total	3,458	3,070	694	813	1,267	1,267	279	180	1,219	801

Statistical Stand-Alone Analysis

PORTFOLIO INVESTMENTS BY JURISDICTION (CONTINUED)

Figure 9 (b)



Statistical Stand-Alone Analysis

PORTFOLIO INVESTMENTS BY JURISDICTION SHORT POSITIONS

As in the prior year, the majority of the short position securities were issued in Germany.

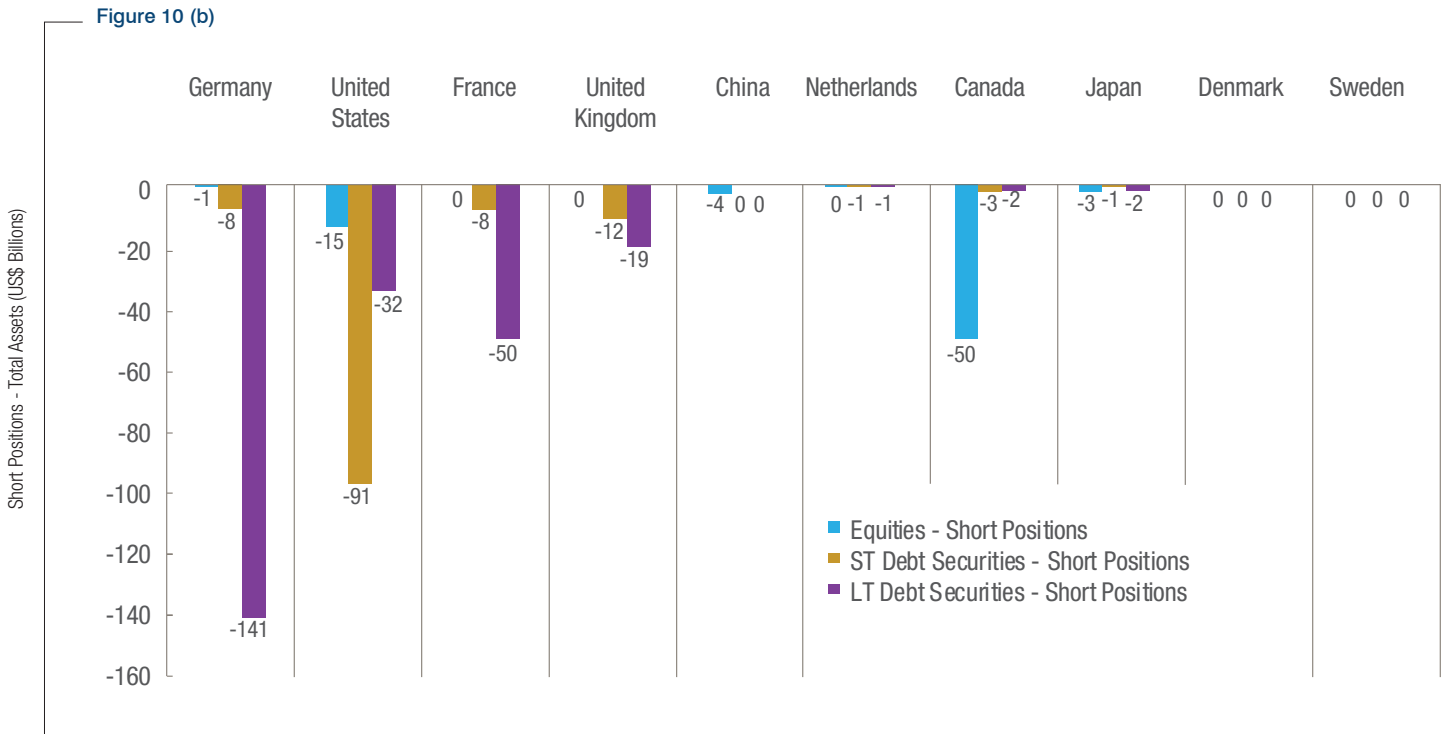
There was a substantial increase of US\$70 billion or 51% in securities issued in the US and an increase of US\$1 billion or 16.67% in securities issued in Japan, while there was a decrease of US\$4 billion or 50% issued in China and an increase of US\$34 billion or 58.62% in securities issued by other developed countries including Spain and Italy.

Figure 10 (a)

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Germany	-150	-105	-1	-1	-8	-3	-141	-101
United States	-137	-67	-15	-13	-91	-48	-32	-6
France	-57	-51	0	-1	-8	-5	-50	-45
United Kingdom	-31	-37	0	0	-12	-5	-19	-32
China	-4	-8	-4	-8	0	0	0	0
Netherlands	-2	-6	0	-1	-1	-1	-1	-4
Canada	-6	-6	-50	-1	-3	-2	-2	-3
Japan	-6	-5	-3	-2	-1	-2	-2	-1
Denmark	0	-1	0	0	0	-1	0	0
Sweden	-1	0	0	0	0	0	0	0
Hong Kong	-1	-1	-1	-1	0	0	0	0
Cayman Islands	-1	0	-1	0	0	0	0	0
British Virgin Islands	0	0	0	0	0	0	0	0
Curacao	0	0	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	0	0
Other Developed Countries	-58	-24	-1	-1	-14	-8	-42	-15
Developing Latin America and the Caribbean	-1	-1	0	0	-1	0	0	-1
Developing Africa and the Middle East	-1	0	0	0	0	0	-1	0
Other Offshore Centres	0	0	0	0	0	0	0	0
Developing Asia and the Pacific	-1	0	0	0	0	0	0	0
Developing Europe	0	0	0	0	0	0	0	0
Total	-508	-312	-76	-29	-139	-75	-292	-208

Statistical Stand-Alone Analysis

PORTFOLIO INVESTMENTS BY JURISDICTION SHORT POSITIONS



Statistical Stand-Alone Analysis

LEGAL HOLDER OF FUNDS

Figure 11 below provides the jurisdictions where the mutual fund investor holds more than 10% of the net asset value of the fund.¹⁴ There were 100 countries where investors own at least 10% of a fund. Consistent with the prior year, the majority of investors holding more than 10% of the funds were from the US, Cayman Islands and Japan.

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	
	2018	2017		2018	2017		2018	2017		2018	2017
United States	3,981	3178	Kuwait	39	39	Belize	5	6	Ecuador	1	1
Cayman Islands	3,666	3054	Sweden	44	39	Gibraltar	6	6	Egypt	4	1
Japan	1,195	1102	Isle of Man	39	34	Indonesia	7	5	Hungary	0	1
Switzerland	843	832	Republic of Korea	31	30	Marshall Islands	5	5	Iceland	2	1
United Kingdom	884	723	Germany	34	29	Portugal	7	5	Jamaica	0	1
Hong Kong	732	563	Malaysia	28	28	Seychelles	3	5	Jordan	1	1
Luxembourg	574	507	Panama	30	26	Saint Kitts and Nevis	6	4	Kyrgyzstan	0	1
British Virgin Islands	492	463	Cyprus	24	23	Swaziland	8	4	Latvia	0	1
Guernsey	305	402	South Africa	28	23	Turkey	4	4	Liberia	2	1
China	367	288	Andorra	19	19	Anguilla	4	3	Nigeria	2	1
Ireland	270	273	U.S. Virgin Islands	16	19	Cook Islands	1	3	Peru	0	1
Canada	320	246	France	35	17	Libyan Arab Jamahiriya	5	3	Puerto Rico	2	1
Saudi Arabia	48	238	Thailand	17	17	Philippines	1	3	Saint Vincent and the Grenadines	1	1
Singapore	292	230	Barbados	15	16	Russian Federation	7	3	Spain	6	1
Brazil	172	141	Denmark	17	15	Turks and Caicos Islands	3	3	Sri Lanka	1	1
Australia	164	137	Monaco	14	15	Botswana	3	2	Trinidad and Tobago	3	1
Bermuda	133	135	Qatar	15	15	Macao	5	2	Tunisia	0	1
Bahamas	126	128	Mauritius	14	13	Saint Lucia	2	2	Vanuatu	1	1
Jersey	110	89	India	15	10	Slovenia	2	2	Venezuela	2	1
Netherlands	101	79	New Zealand	16	10	Uruguay	5	2	Zimbabwe	0	1
Liechtenstein	66	66	Lebanon	13	11	Aruba	0	1	Channel Islands	1	0
Belgium	49	62	Mexico	15	11	Bolivia	0	1	Grenada	1	0
Taiwan, Province of China	62	62	Italy	10	9	Brunei Darussalam	2	1	Kenya	1	0
United Arab Emirates	72	61	Samoa	11	9	Bulgaria	1	1	Palestinian Territory, Occupied	0	0
Israel	71	56	Austria	12	8	Christmas Island	0	1	Czech Republic	0	0
Bahrain	26	53	Greece	6	8	Colombia	3	1	Guatemala	0	0
Curacao	49	43	Norway	9	8	Costa Rica	3	1	Iraq	0	0
Malta	52	43	Chile	10	7	Dominican Republic	2	1	Namibia	0	0
Finland	46	39	Oman	5	7				Paraguay	0	0
			Argentina	7	6				United States Minor Outlying Islands	0	0

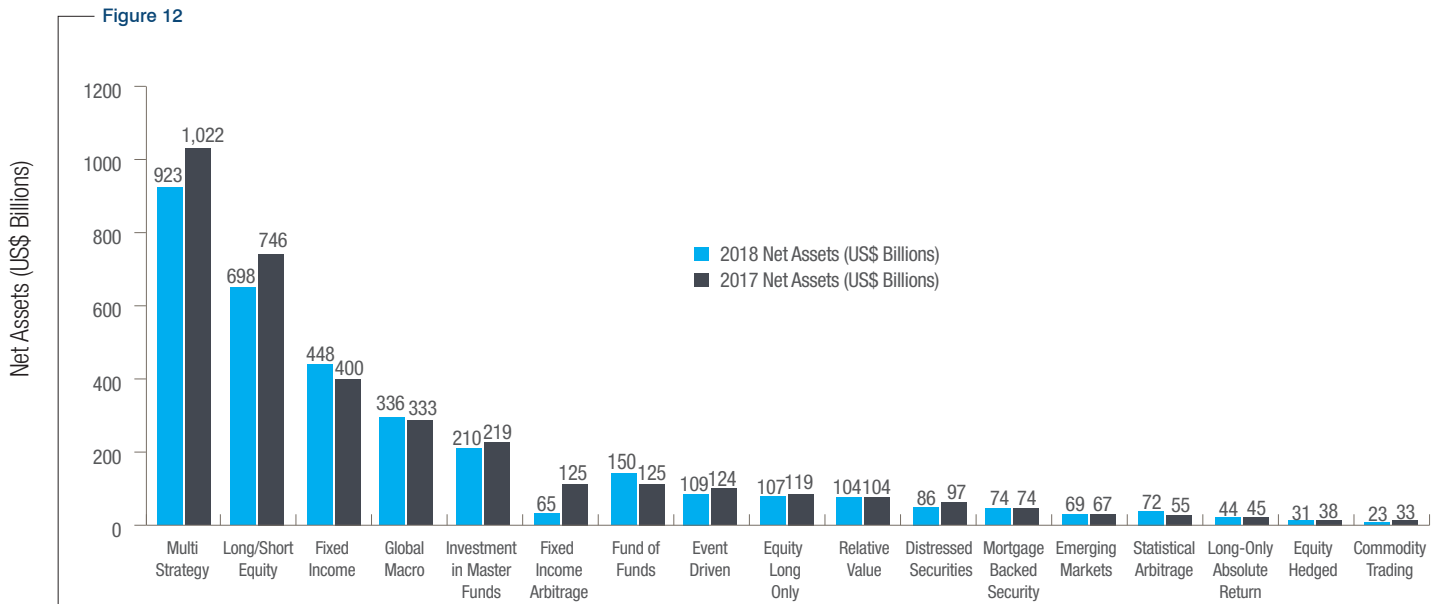
¹⁵ A fund can have legal holders of more than 10% in many countries, therefore the total number of responses exceeded the number of FAR submissions received.

*Due to rounding, subtotals may differ from the total sum.

Statistical Trend Analysis

INVESTMENT STRATEGY

The allocation of investment strategies in 2018 was consistent with 2017 in which Multi-Strategy and Long/Short Equity accounted for 46% (2017: 44%) of total ending net assets. There was a decrease in ending net assets of 9.68% for Multi-Strategy, in which funds aim to deliver consistently strong returns despite the directional movement in equity, interest rates or currency markets. There was a 6.47% decrease in Long/Short Equity funds which involve taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline. Fixed Income Arbitrage strategy, which attempts to profit from pricing differences in interest rate securities, experienced a significant reduction in 2018, where ending net assets were US\$65 billion compared to US\$125 billion in 2017. When using fixed-income arbitrage strategy, the investor assumes opposing positions in the market to take advantage of small price discrepancies while limiting interest rate risk. Fixed income arbitrage is market-neutral and is designed to profit regardless of whether the overall market is bullish or bearish. Total ending net assets for Commodity Trading funds experienced a 23% reduction in 2017 and were US\$10 billion or 30.46% lower in 2018.



Investment Strategy	2018 Net Assets (US\$ Billions)	2018 % Allocated ¹⁵	2017 Net Assets (US\$ Billions)	2017 % Allocated ¹⁵	\$ Change ¹⁶ (US\$ Billions)	% Change
Multi-Strategy	923	26.01%	1,022	25.34%	(99)	-9.68%
Long/Short Equity	698	19.66%	746	18.50%	(48)	-6.47%
Fixed Income	448	12.63%	400	9.92%	48	12.01%
Global Macro	336	9.45%	333	8.26%	3	0.90%
Investment in Master Funds	210	5.91%	219	5.43%	(9)	-3.95%
Fixed Income Arbitrage	65	1.83%	125	3.10%	(60)	-48.13%
Fund of Funds	150	4.24%	125	3.10%	25	20.05%
Event Driven	109	3.08%	124	3.07%	(15)	-12.12%
Equity Long Only	107	3.01%	119	2.95%	(12)	-10.46%
Relative Value	104	2.93%	104	2.58%	0	0.00%
Distressed Securities	86	2.42%	97	2.41%	(11)	-11.59%
Mortgage-backed security	74	2.07%	74	1.83%	0	0.00%
Emerging Markets	69	1.95%	67	1.66%	2	3.51%
Statistical Arbitrage	72	2.02%	55	1.36%	17	30.68%
Long-only absolute return	44	1.24%	45	1.12%	(1)	-2.74%
Equity Hedged	31	0.88%	38	0.94%	(7)	-17.67%
Commodity Trading	23	0.65%	33	0.82%	(10)	-30.46%
Total	3,549	100%	3,726	92.40%	(177)	-4.74%

¹⁵ The percentage of total net assets allocated to the investment strategy during the year specified.

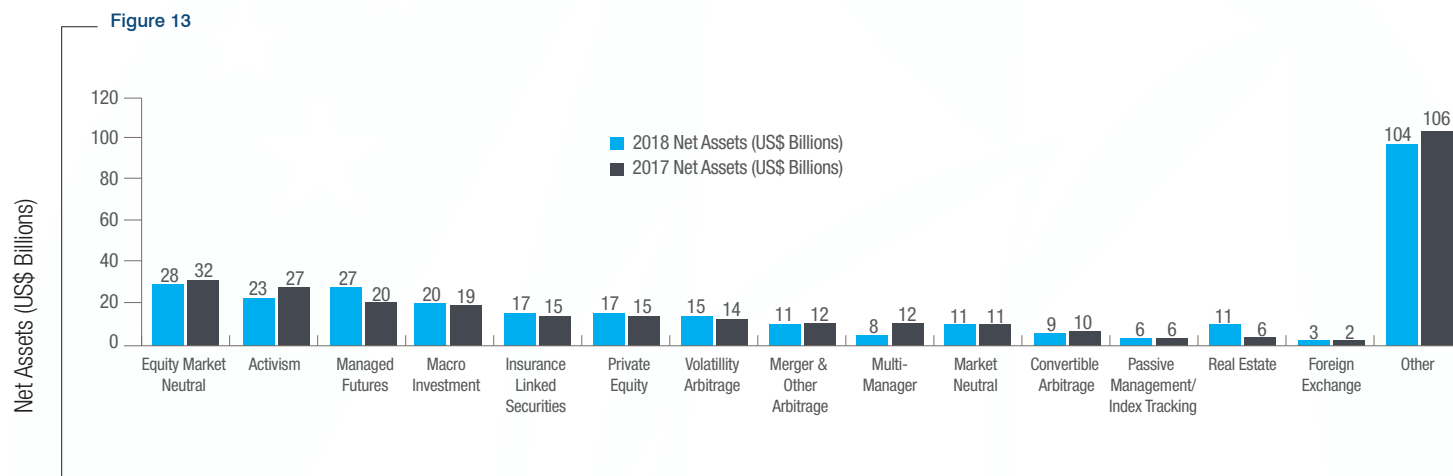
¹⁶ The change in net assets allocated to an investment strategy from 2018 compared to 2017.

*Due to rounding, subtotals may differ from the total sum.

Statistical Trend Analysis

INVESTMENT STRATEGY (CONTINUED)

Investments in funds which utilise Insurance Linked Securities strategies reported an increase in total net asset of US\$2 billion or 13.33%. Insurance Linked Securities are broadly defined as financial instruments whose values are driven by insurance loss events such as hurricanes, floods and cyber attacks. Such instruments which have been employed by insurers eager to transfer risk and tap new sources of capital market funding hold great appeal for investors as interest rates remain near historic lows and investors continue to look for yields in alternative assets classes and they are not correlated with stock market and other asset classes. Investment in Insurance Linked catastrophe bonds which are issued for both life and property/casualty sectors grew in 2018 despite the amounts paid out as result of natural disasters. Given the extent of losses and their impact on the market, some had expected investors to either back-off from investments in catastrophe insurance risks or demand price increases, but the market remained resilient in 2018. Multi-Manager investment products which consist of multiple specialised funds overseen by managers with different investment styles and allow for diversification without sacrificing return, experienced a 33.33% reduction in 2018 with ending net assets of US\$8 billion (2017: US\$12 billion).



Investment Strategy	2018 Net Assets (US\$ Billions)	2018 % Allocated ¹⁷	2017 Net Assets (US\$ Billions)	2017 % Allocated ¹⁷	\$ Change ¹⁸ (US\$ Billions)	% Change
Equity Market Neutral	28	0.71%	32	0.79%	(4)	-13.86%
Activism	23	0.60%	27	0.67%	(4)	-13.01%
Managed Futures	27	0.69%	20	0.50%	7	34.84%
Macro Investment	20	0.52%	19	0.47%	1	6.74%
Insurance Linked Securities	17	0.42%	15	0.37%	2	10.54%
Private Equity	17	0.44%	15	0.37%	2	13.69%
Volatility Arbitrage	15	0.39%	14	0.35%	1	7.84%
Merger & Other Arbitrage	11	0.28%	12	0.30%	(1)	-8.67%
Multi-Manager	8	0.21%	12	0.30%	(4)	-31.35%
Market Neutral	11	0.27%	11	0.27%	0	-3.39%
Convertible Arbitrage	9	0.22%	10	0.25%	(1)	-12.69%
Passive management/Index tracking	6	1.61%	6	0.15%	1	-8.33%
Real Estate	11	0.28%	6	0.15%	5	81.69%
Foreign Exchange	3	0.09%	2	0.05%	1	69.03%
Other	104	2.32%	106	2.63%	(2)	-1.89%
Total	309	9.06%	307	7.61%	2	0.65%
Table from Figure 12	3,549	90.94%	3,726	92.40%	-177	-4.74%
Total Net Asset Value	3,858	100%	4,033	100%	-175	-4.34%

¹⁷ The percentage of total net assets allocated to the investment strategy during the year specified.

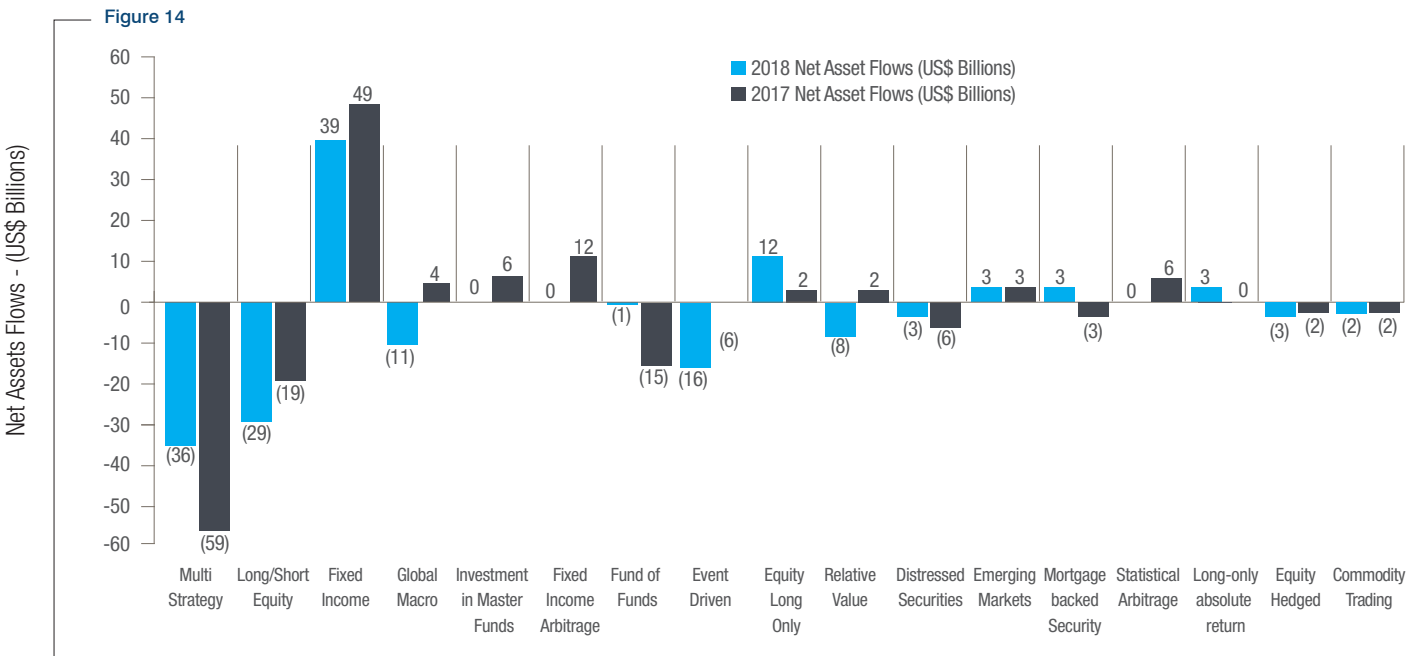
¹⁸ The change in net assets allocated to an investment strategy from 2018 compared to 2017.

*Due to rounding, subtotals may differ from the total sum.

Statistical Trend Analysis

SUBSCRIPTIONS, REDEMPTIONS AND NET ASSET FLOWS BY INVESTMENT STRATEGY

Overall demand for mutual funds as measured by net cash flow - subscriptions less redemptions rebounded in the US in 2018 following two consecutive years of outflows. However, Cayman Islands funds experienced a net asset outflow for the second consecutive year as redemptions of US\$1,079 billion exceeded total subscriptions of US\$1,049 billion. Most of the investment strategies detailed in figure 14 reported net outflows although Fixed Income and Fixed Income Arbitrage saw net inflows of US\$39 billion and US\$1 billion, respectively. The net subscriptions to these fund types can be attributed to actions taken by the Federal Reserve which increased interest rates three times in 2018. Secondly, investments in mutual funds are influenced by demographics and over the past decade, the aging of baby boomers has boosted flows to bond funds; as investors age, they tend to shift to fixed-income products for yield and safety relative to equities. Multi-Strategy funds which allow fund managers the flexibility to capitalise on the best opportunities in their varied skill sets and allows capital to be allocated from less attractive strategies to those offering superior opportunities are very popular with investors. However, for the last two years, there has been a net asset outflow and in 2018 redemptions exceeded subscriptions by US\$36 billion (2017: US\$59 billion). Nevertheless this fund strategy which represents 24.07% of total ending net assets in 2018 continues to be the most popular as Multi-Strategy funds offer investors access to a variety of strategies, provide considerable capacity and enhance risk-adjusted returns of a diversified or concentrated investment portfolio.

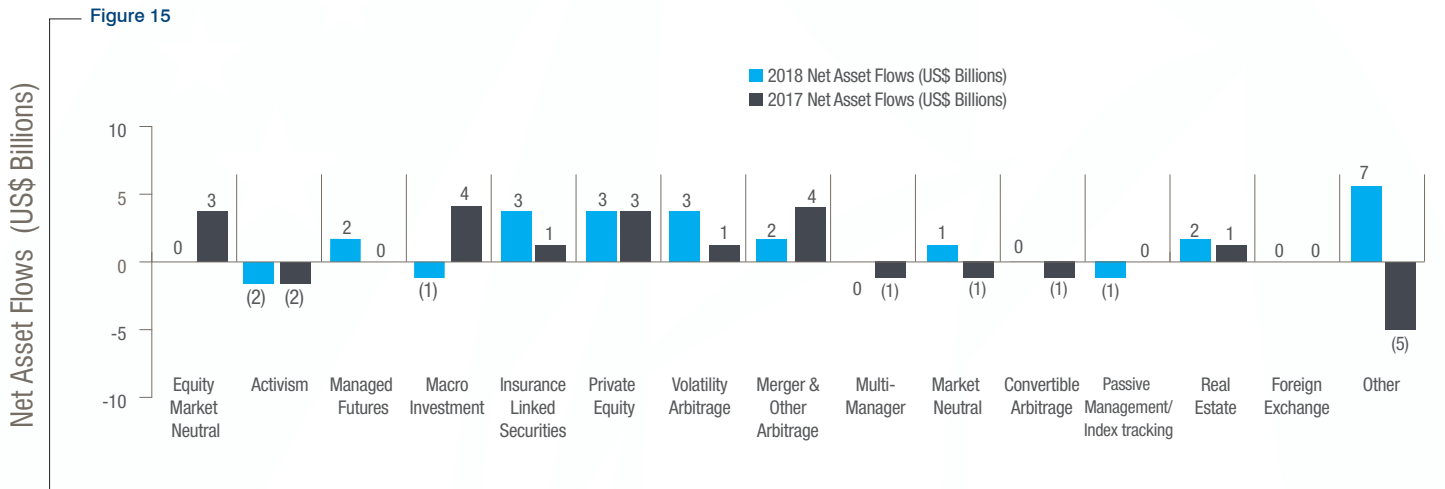


Investment Strategy	2018 Subscriptions (US\$ Billions)	2018 Redemptions (US\$ Billions)	2018 Net Asset Flows (US\$ Billions)	2017 Subscriptions (US\$ Billions)	2017 Redemptions (US\$ Billions)	2017 Net Asset Flows (US\$ Billions)	Change in Net Asset Flows (US\$ Billions)
Multi-Strategy	199	(235)	(36)	176	(235)	(59)	27
Long/Short Equity	146	(175)	(29)	130	(149)	(19)	(10)
Fixed Income	211	(172)	39	218	(169)	49	(10)
Global Macro	79	(90)	(11)	96	(93)	4	(14)
Investment in Master Funds	54	(54)	0	54	(48)	6	(6)
Fixed Income Arbitrage	17	(17)	1	32	(20)	12	(12)
Fund of Funds	9	(10)	(1)	197	(212)	(15)	15
Event Driven	33	(49)	(16)	40	(46)	(6)	(9)
Equity Long Only	37	(25)	12	26	(24)	2	10
Relative Value	16	(24)	(8)	26	(24)	2	(10)
Distressed Securities	16	(19)	(3)	17	(23)	(6)	3
Emerging Markets	16	(13)	3	14	(11)	3	(0)
Mortgage-backed security	12	(9)	3	21	(24)	(3)	6
Statistical Arbitrage	19	(19)	0	14	(8)	6	(6)
Long-only absolute return	11	(8)	3	9	(9)	(0)	3
Equity Hedged	7	(10)	(3)	8	(10)	(2)	(1)
Commodity Trading	8	(10)	(2)	13	(15)	(2)	0
Total	890	(939)	(49)	1,091	(1,120)	(29)	(20)

Statistical Trend Analysis

SUBSCRIPTIONS, REDEMPTIONS AND NET ASSET FLOWS BY INVESTMENT STRATEGY (CONTINUED)

Merger Arbitrage is an investment strategy that involves simultaneously buying and selling of the stocks of two merging companies. It is a type of event driven investment strategy that seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as bankruptcy, merger, acquisition or spinoff. During 2018, there was a net inflow of funds as subscriptions exceeded redemptions by US\$2 billion after experiencing growth in 2017. Funds that follow a Macro Investment strategy invest in long and short positions in various equity, fixed income, currency, commodities and futures markets based on the overall economic and political views of various countries or their macroeconomic principles. In 2018, there was a net asset outflow of US\$1 billion compared to an increase of \$4 billion in the prior year. Multi-Managers refers to the involvement of different managers in the investment strategy of a fund, are typically overseen by an investment advisor and generally incur higher fees because of the involvement of many managers. In 2018, there was a net outflow of US\$0.45 billion compared to US\$1 billion in 2017.

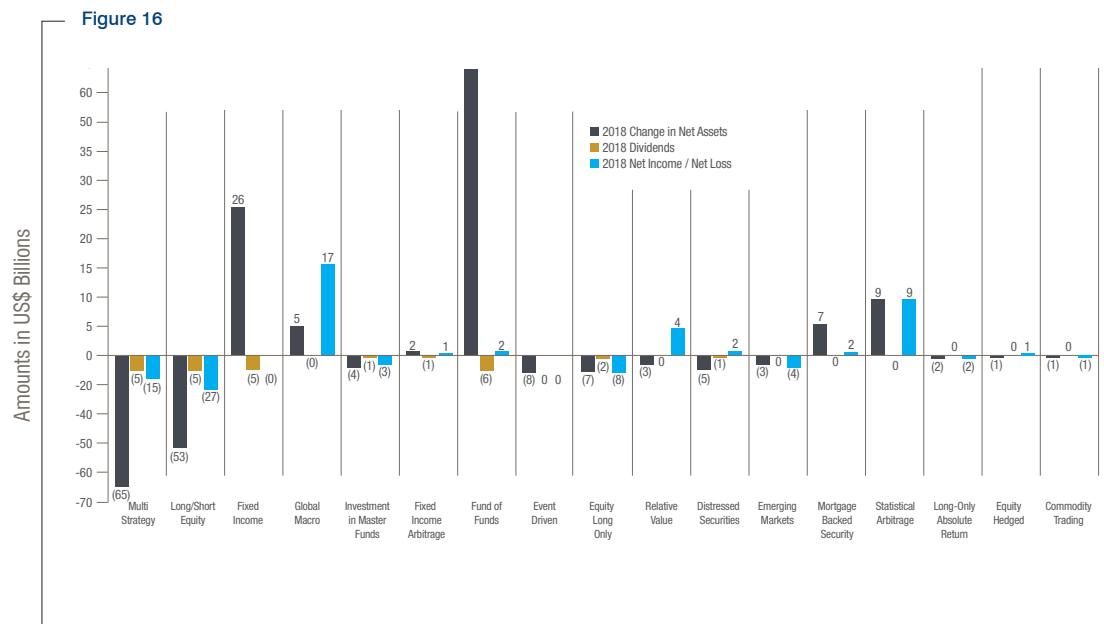


Investment Strategy	2018 Subscriptions (US\$ Billions)	2018 Redemptions (US\$ Billions)	2018 Net Asset Flows (US\$ Billions)	2017 Subscriptions (US\$ Billions)	2017 Redemptions (US\$ Billions)	2017 Net Asset Flows (US\$ Billions)	Change in Net Asset Flows (US\$ Billions)
Equity Market Neutral	10	(10)	0	12	(9)	3	(3)
Activism	3	(5)	(2)	3	(5)	(2)	0
Managed Futures	10	(8)	2	8	(8)	0	2
Macro Investment	8	(9)	(1)	8	(4)	4	(5)
Insurance Linked Securities	6	(3)	3	5	(4)	1	2
Private Equity	3	(0)	3	3	(1)	3	(1)
Volatility Arbitrage	6	(3)	3	4	(2)	1	2
Merger & Other Arbitrage	4	(2)	2	6	(2)	4	(2)
Multi-Manager	3	(3)	0	2	(3)	(1)	0
Market Neutral	5	(4)	1	4	(5)	(1)	2
Convertible Arbitrage	2	(2)	0	3	(3)	(1)	1
Passive mgt/Index tracking	2	(3)	(1)	2	(2)	0	(1)
Real Estate	3	(1)	2	1	(1)	1	1
Foreign Exchange	1	(1)	0	0	(1)	0	1
Other	93	(86)	7	38	(43)	(5)	8
Total	159	(140)	15	99	(93)	6	8
Total from Figure 14	890	(939)	(49)	1,091	(1,120)	(29)	(20)
Grand Total	1,049	(1,079)	(30)	1,190	(1,213)	(23)	(7)

Statistical Trend Analysis

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

The decline in net assets in 2018 was driven by several factors that weighed on global stock markets and foreign exchange markets, particularly in the fourth quarter. Chief among them was the fear of a severe slowdown in global economic growth, stemming in part from lower-than-expected economic growth in China and deteriorating trade relations between China and the US. Total ending assets were US\$96 billion lower than at the beginning of the year. Investment performance and therefore net income is governed by monetary policies which varied around the globe. While developments in US interest rates may play a role in European bond fund investors' behavior, these effects likely were compounded by the announcement from the European Central Bank (ECB) in June that it intended to terminate its quantitative easing scheme at the end of 2018. Following this news, investors may have expected the value of longer-duration bonds to decline and interest rate volatility to increase once the ECB stopped purchasing long-dated bonds. Net income for this strategy type was US\$120 billion in 2017 compared to a net loss of US\$27 billion in 2018.



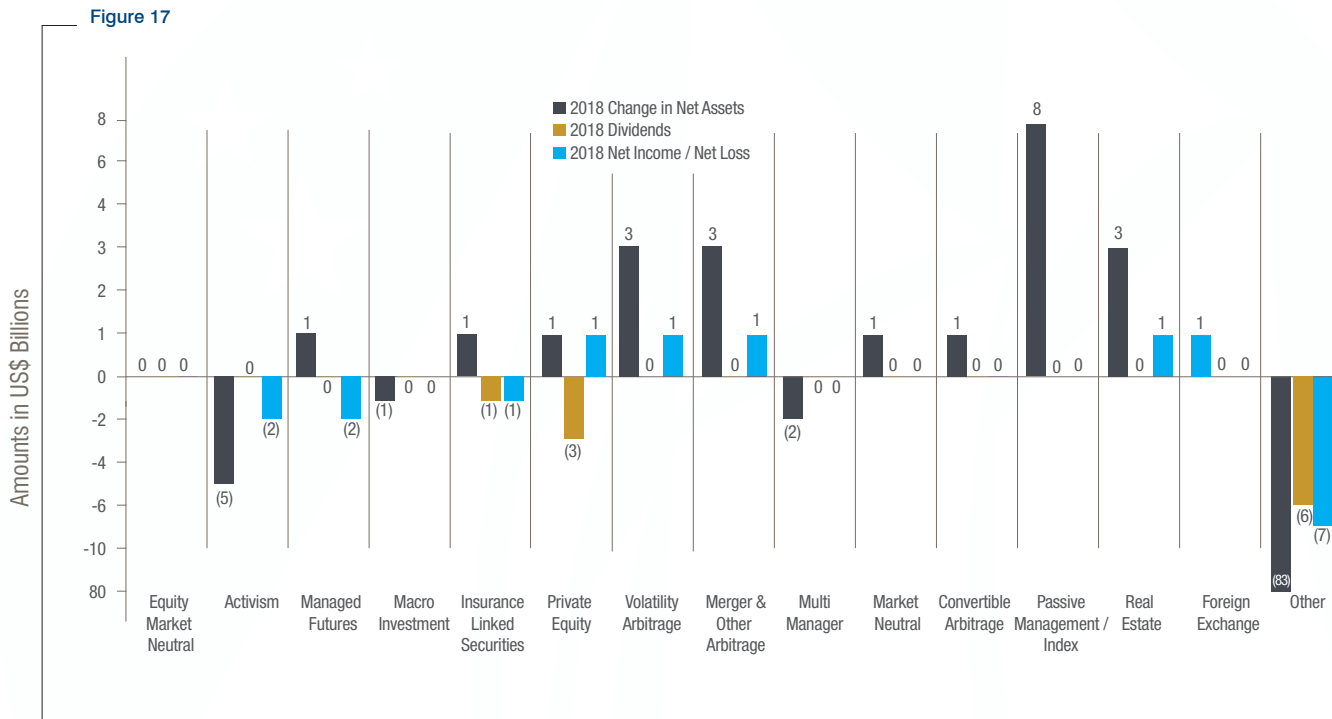
Investment Strategy (Amounts in US\$ billions)	2018 Opening Net Assets	2018 Ending Net Assets	2018 Change in Net Assets ¹⁹	2018 Dividends	2017 Dividends	2018 Net Income/ Net Loss	2017 Net Income/ Net Loss
Multi-Strategy	988	923	(65)	(5)	(11)	(15)	91
Long/Short Equity	751	698	(53)	(5)	(2)	(27)	120
Fixed Income	422	448	26	(5)	(5)	0	16
Global Macro	331	336	5	0	0	17	12
Investment in Master Funds	214	210	(4)	(1)	(2)	(3)	19
Fixed Income Arbitrage	63	65	2	(1)	(2)	1	5
Fund of Funds	74	150	76	(6)	(2)	2	11
Event Driven	117	109	(8)	0	0	0	10
Equity Long Only	114	107	(7)	(2)	(5)	(8)	23
Relative Value	107	104	(3)	0	0	4	7
Distressed Securities	91	86	(5)	(1)	(1)	2	11
Emerging Markets	72	69	(3)	0	(1)	(4)	9
Mortgage-backed security	67	74	7	0	0	2	9
Statistical Arbitrage	63	72	9	0	0	9	5
Long-only absolute return	46	44	(2)	0	0	(2)	8
Equity Hedged	33	31	(2)	0	0	1	5
Commodity Trading	24	23	(1)	0	0	(1)	0
Total	3,577	3,549	(28)	(26)	(31)	(22)	361

¹⁹ Calculated as 2018 Ending Net Assets minus 2018 Opening Net Assets

Statistical Trend Analysis

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

Equity Market Neutral which describes an investment strategy where the manager attempts to exploit differences in stock prices by being long and short in closely related stocks, within the same sector, industry and country reported ending net assets of US\$28 billion in 2018 an increase of US\$2 billion. Unlike the prior year in which total losses were US\$2 billion, in 2018 net loss was US\$4 billion. Private Equity is an alternative investment class and consists of capital that is not listed on a public exchange. The boom years for private equity occurred just before the financial crisis and continued to offer investment opportunities as pension funds and other investors provide a line of credit for companies that are unable to tap into the corporate bond market. Total ending assets at year end were US\$17 billion with net income of US\$1 billion and dividends of US\$3 billion distributed during the year.



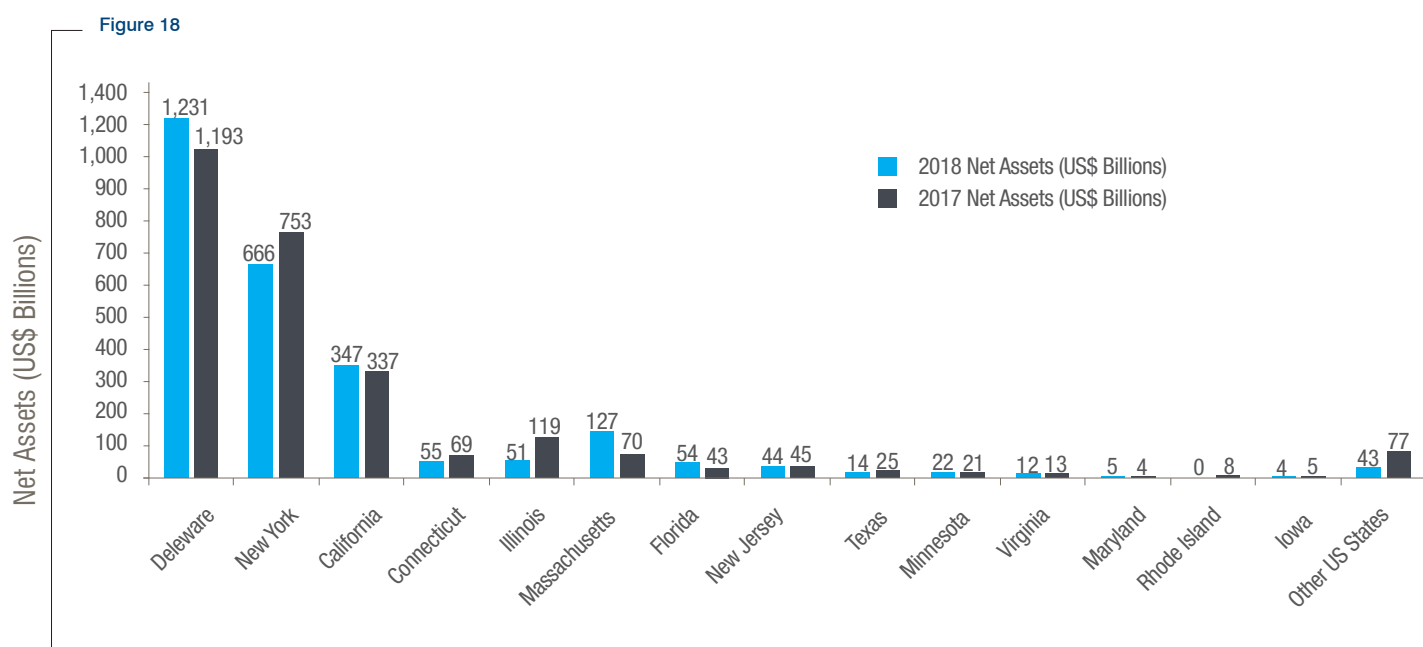
Investment Strategy (Amounts in US\$ billions)	2018 Opening Net Assets	2018 Ending Net Assets	2018 Change in Net Assets ²⁰	2018 Dividends	2017 Dividends	2018 Net Income/ Net Loss	2017 Net Income/ Net Loss
Equity Market Neutral	32	28	0	0	0	0	2
Activism	28	23	(5)	0	0	(2)	3
Managed Futures	26	27	1	0	0	(2)	0
Macro Investment	21	20	(1)	0	0	0	1
Insurance Linked Securities	16	17	1	(1)	(1)	(1)	0
Private Equity	16	17	1	(3)	(3)	1	2
Volatility Arbitrage	12	15	3	0	0	1	0
Merger & Other Arbitrage	8	11	3	0	0	1	0
Multi-Manager	10	8	(2)	0	0	0	1
Market Neutral	10	11	1	0	0	0	0
Convertible Arbitrage	8	9	1	0	0	0	1
Passive management/Index tracking	55	63	8	0	0	0	1
Real Estate	8	11	3	0	0	1	0
Foreign Exchange	2	3	1	0	0	0	(1)
Other	187	104	(83)	(6)	(3)	(7)	12
Total	435	367	(68)	(10)	(7)	(8)	22
Total from Figure 16	3,577	3,549	(28)	(26)	(31)	(22)	361
Grand Total	4,012	3,916	(96)	(39)	(38)	(30)	383

²⁰ Calculated as 2018 Ending Net Assets minus 2018 Opening Net Assets

Statistical Trend Analysis

NET ASSETS BY INVESTMENT MANAGER LOCATION - USA

The number of funds managed by companies in the US were down by 155 (2017: down 55) and total net assets at US\$2,675 billion were lower than in 2017. Companies in Delaware and New York which managed 48.44% of all funds remained the top two locations as investment managers concentrate in locations where the industry began. Total net assets of US\$51 billion (2017: US\$119 billion) were managed by Illinois based companies and reported one of the largest declines of 57.11%. California based companies reported an increase in the total assets managed by US\$347 billion or 2.92% higher than 2017. The number of funds managed by companies in Iowa was up by one but total assets decreased by 12.64% to US\$4 billion from US\$5 billion.

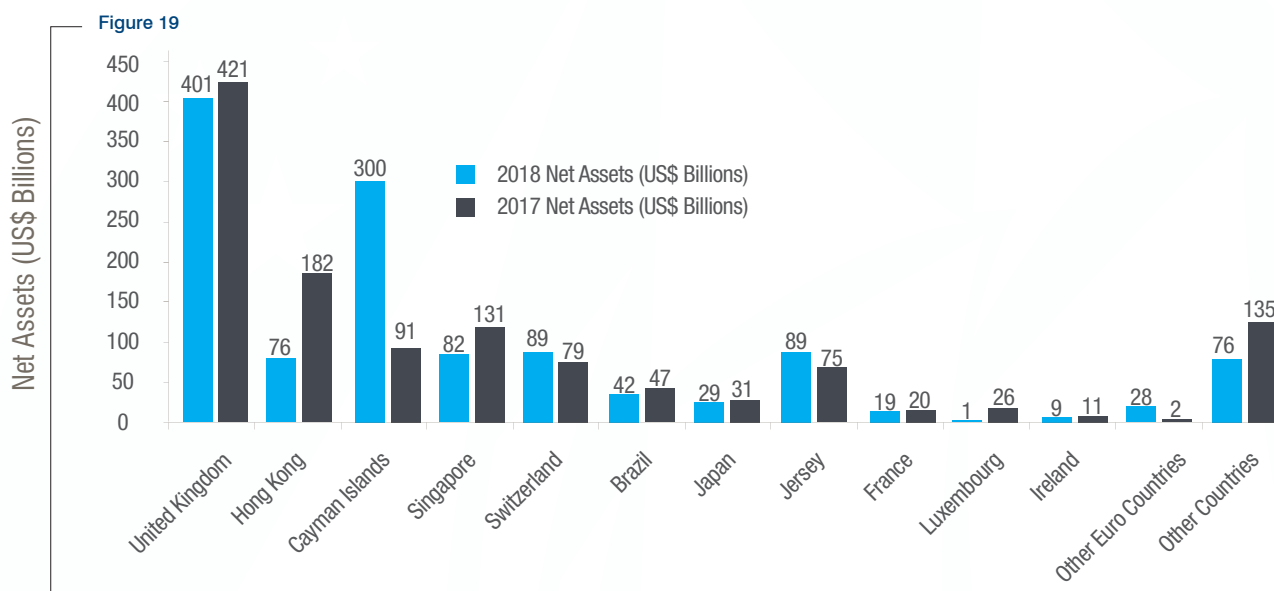


Investment Manager Location	2018 Number of Funds	2018 Net Assets (US\$ Billions)	2018 % Allocated	2017 Number of Funds	2017 Net Assets (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
Delaware	2,114	1,231	31.44%	2,100	1,193	29.58%	38	3.17%
New York	1,311	666	17.00%	1,352	753	18.67%	(87)	-11.57%
California	465	347	8.85%	468	337	8.36%	10	2.92%
Connecticut	179	55	1.41%	191	69	1.71%	(14)	-19.85%
Illinois	177	51	1.31%	176	119	2.95%	(68)	-57.11%
Massachusetts	166	127	3.25%	175	70	1.74%	57	81.99%
Florida	79	54	1.38%	106	43	1.07%	11	25.84%
New Jersey	118	44	1.11%	87	45	1.12%	(1)	-2.21%
Texas	43	14	0.37%	64	25	0.62%	(11)	-44.40%
Minnesota	63	22	0.57%	48	21	0.52%	1	4.79%
Virginia	29	12	0.32%	32	13	0.32%	-1	-7.97%
Maryland	8	5	0.12%	9	4	0.10%	1	32.59%
Rhode Island	3	0	0.01%	6	8	0.20%	(8)	-103.63%
Iowa	8	4	0.11%	6	5	0.12%	(1)	-12.64%
Other US states	209	43	1.10%	307	77	1.91%	(34)	-44.26%
Total USA	4,972	2,675	68.34%	5,127	2,782	68.98%	(107)	-3.85%

Statistical Trend Analysis

NET ASSETS BY INVESTMENT MANAGER LOCATION - OTHER

In 2018, total ending net assets of US\$1,241 billion managed in the category of Other countries were lower than US\$1,251 billion in 2017. There were increases in NAV of funds managed by Jersey (up US\$14 billion) and other Euro countries such as Germany, the Netherlands and Spain. The number of funds managed by other Euro countries increased to 121 and the total assets increased to US\$28 billion up from US\$2 billion in 2017. Brazil and Hong Kong reported reductions in ending net assets managed of 10.59% and 8.88% respectively, although the number of funds managed in Brazil remained at 182 and those managed in Hong Kong were up by 364. The United Kingdom (UK) remained the largest asset management center in Europe and is globally second only to the US. However, the uncertain political backdrop and the prospect of more turbulence as the UK navigates the Brexit negotiations are concerning for UK fund managers, especially where assets are managed in the UK for funds domiciled in the EU. The outcome of the negotiations is likely to affect the number of investment managers that remain in the UK.

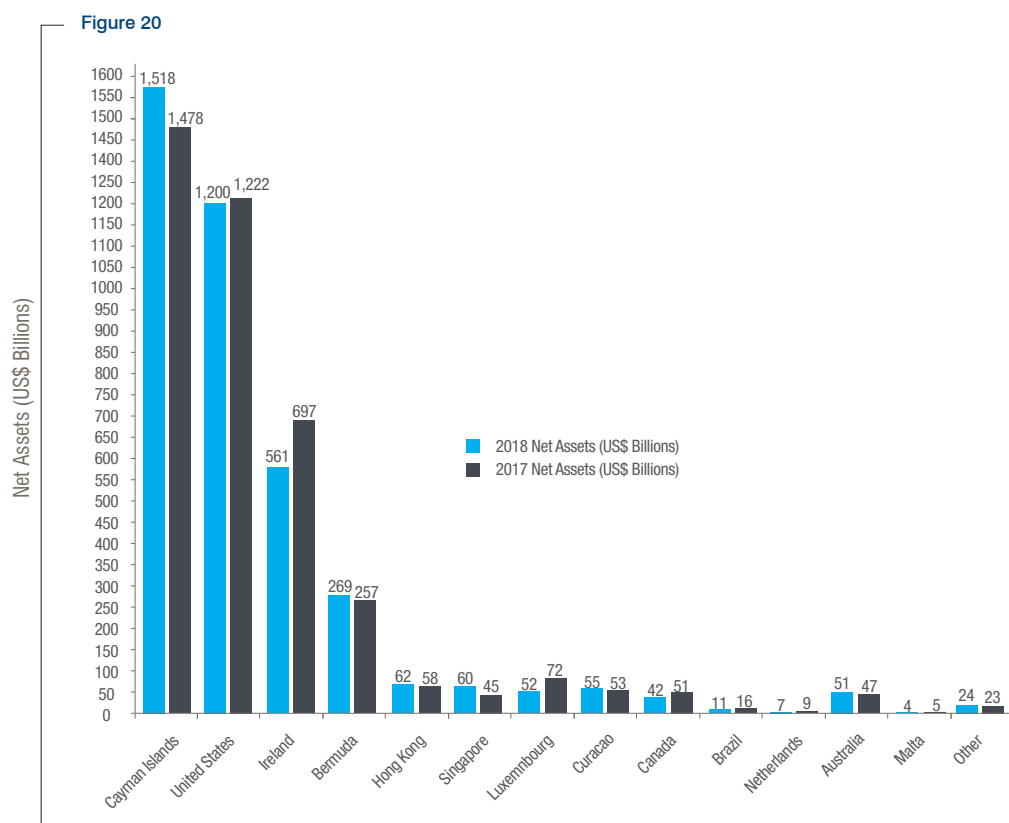


Investment Manager Location	2018 Number of Funds	2018 Net Assets (US\$ Billions)	2018 % Allocated	2017 Number of Funds	2017 Net Assets (US\$ Billions)	2017 % Allocated	\$ Change (US\$ Billions)	% Change
United Kingdom	933	401	10.24%	1,007	421	10.44%	(20)	-4.76%
Hong Kong	445	76	1.94%	809	182	4.51%	(106)	-58.21%
Cayman Islands	1,434	300	7.66%	532	91	2.26%	208	227.76%
Singapore	377	82	2.10%	383	131	3.25%	(49)	-37.37%
Switzerland	191	89	2.28%	226	79	1.96%	10	13.06%
Brazil	182	42	1.07%	182	47	1.17%	(5)	-10.59%
Japan	120	29	0.73%	141	31	0.77%	(3)	-8.88%
Jersey	86	89	2.27%	88	75	1.86%	14	18.93%
France	40	19	0.48%	35	20	0.50%	(1)	-7.16%
Luxembourg	14	1	0.04%	27	26	0.64%	(25)	-94.50%
Ireland	12	9	0.23%	16	11	0.27%	(2)	-17.95%
Other Euro countries	121	28	0.73%	23	2	0.05%	26	1342.32%
Other countries	445	76	1.94%	727	135	3.34%	(59)	-43.55%
Total - Other	4,400	1,241	31.69%	4,196	1,251	31.02%	(10)	1319.07%
Total - USA	4,972	2,675	68.34%	5,127	2,782	68.98%	(107)	-3.85%
Grand Total	9,372	3,916	100%	9,323	4,033	100%	(117)	-2.90%

Statistical Trend Analysis

NET ASSET VALUE (NAV) CALCULATION LOCATION

The number of funds using Cayman Islands companies offering NAV calculation services increased by 128 and total ending net assets were US\$1,518 billion, up 2.16% from 2017. This represents over a third of all NAV calculation locations and the Cayman Islands reported the highest growth in terms of number of funds and ending net assets during the year. The US²¹ and Ireland are the second and third most popular destinations with 30.67% and 14.33% of ending net assets respectively. During 2018, NAV calculation services were provided to fewer funds in the US and Ireland but the total ending assets increased. NAV calculation services provided by companies in Curacao continued to decrease with three fewer funds and net assets which were as high as US\$115 billion in 2015 up by US\$2 billion to US\$55 billion. In 2018, Malta remained a top 15 location providing NAV calculation services with 103 funds and US\$4 billion.

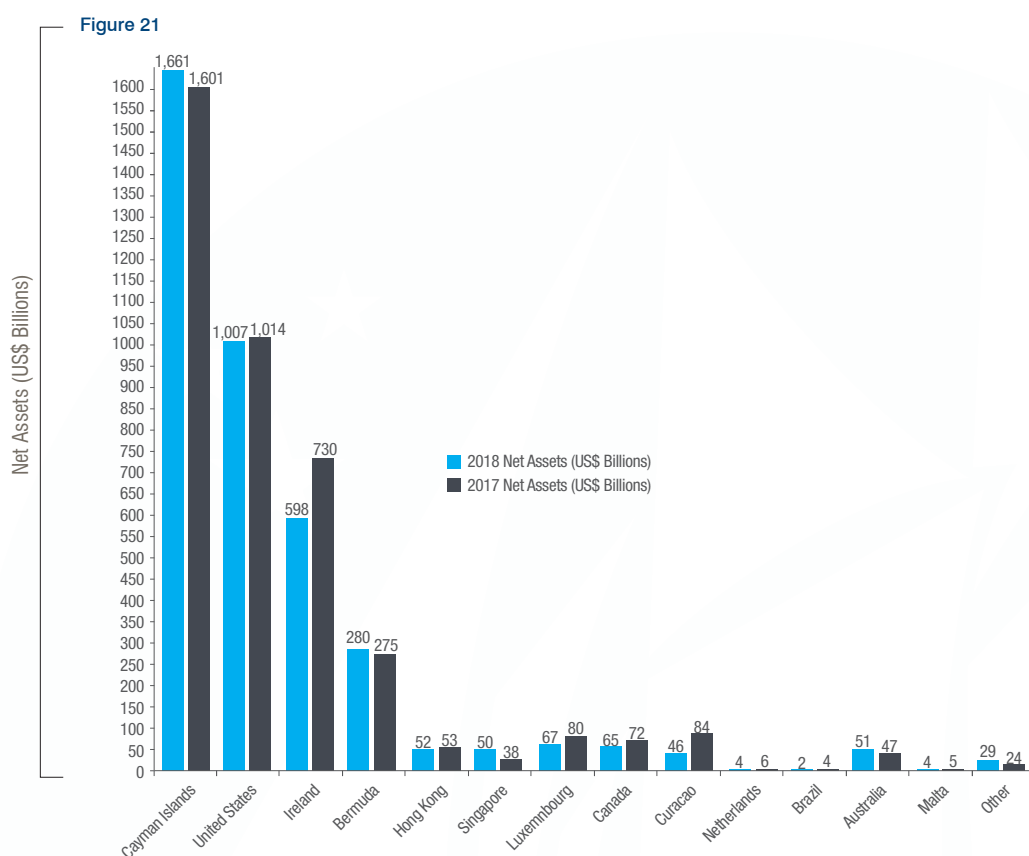


NAV Calculation Location	2018 Number of Funds	2018 Net Assets (US\$ Billions)	Percentage of Total NAV	2017 Number of Funds	2017 Net Assets (US\$ Billions)	Percentage of Total NAV
Cayman Islands	3,386	1,518	38.81%	3,258	1,478	36.65%
United States	2,452	1,200	30.67%	2,545	1,222	30.30%
Ireland	1,192	561	14.33%	1,379	697	17.28%
Bermuda	758	269	6.89%	656	257	6.37%
Hong Kong	407	62	1.58%	345	58	1.44%
Singapore	292	60	1.53%	228	45	1.12%
Curacao	120	55	1.42%	123	72	1.79%
Luxembourg	163	52	1.34%	191	53	1.31%
Australia	27	51	1.31%	102	51	1.26%
Canada	83	42	1.06%	98	16	0.40%
Brazil	91	11	0.29%	53	9	0.22%
Netherlands	47	7	0.18%	20	47	1.17%
Malta	103	4	0.11%	91	5	0.12%
Other	251	24	0.48%	234	23	0.57%
Total	9,372	3,916	100%	9,323	4,033	100%

²¹ Top five US states: New York, Massachusetts, Delaware, Pennsylvania and Connecticut

Statistical Trend Analysis

REGISTRAR AND TRANSFER AGENT (RTA) LOCATION



The number of funds using the Cayman Islands for RTA services increased to 3,712 in 2018 and total ending net assets was US\$1,661 billion or 3.75% higher than 2017. This equates to providing services to funds representing about 42% of total assets. The number of funds using RTA in the US²² and Ireland was lower than in the prior year. As with NAV calculation services, the Cayman Islands saw the highest growth in terms of the number and ending net asset of funds while the number of funds receiving Registrar and Transfer Agent services from companies in Canada decreased by 19 and total net assets were US\$7 billion lower. However, the number of funds with RTA in Bermuda increased by 93 with assets of US\$280 billion compared to US\$275 billion in 2017.

RTA Location	2018 Number of Funds	2018 Net Assets (US\$ Billions)	Percentage of Total NAV	2017 Number of Funds	2017 Net Assets (US\$ Billions)	Percentage of Total NAV
Cayman Islands	3,712	1,661	42.46%	3,615	1,601	39.68%
United States	2,017	1,007	25.73%	2,071	1,014	25.14%
Ireland	1,249	598	15.30%	1,411	730	18.09%
Bermuda	771	280	7.14%	678	275	6.82%
Hong Kong	376	52	1.33%	331	53	1.30%
Singapore	303	50	1.28%	262	38	0.94%
Luxembourg	197	67	1.72%	218	80	1.99%
Canada	157	65	1.66%	176	72	1.80%
Curacao	115	46	1.17%	120	84	2.09%
Netherlands	46	4	0.10%	57	6	0.14%
Brazil	17	2	0.05%	23	4	0.10%
Australia	25	51	1.31%	22	47	1.18%
Malta	103	4	0.11%	91	5	0.13%
Other	284	29	0.64%	248	24	0.59%
Total	9,372	3,916	100%	9,323	4,033	100%

²²Top five US states: New York, Massachusetts, Delaware, Connecticut and Pennsylvania

STATISTICAL STAND-ALONE ANALYSIS

NAV & RTA SUB-DELEGATED LOCATION

NAV and RTA services offered by Cayman Islands companies are sub-delegated to a number of other countries, with Singapore, Canada, Hong Kong and Ireland being the most popular locations. Fund administration encompasses the middle- and back-office functions necessary to operate the fund, and includes clerical and fund accounting services, data processing, recordkeeping, internal audits, and compliance and risk management functions. The primary motivation behind this arrangement is cost, with these countries providing economies of scale for back office and other administrative functions that cannot be achieved in the Cayman Islands.

Figure 22

NAV Sub-delegated Location	2018 Number of Funds	2018 Net Assets (US\$ Millions)	2017 Number of Funds	2017 Net Assets (US\$ Millions)
Singapore	243	47,567	233	39,353
Canada	234	147,691	203	173,199
Hong Kong	220	43,054	192	37,354
Ireland	251	111,715	187	91,539
United States ²³	127	50,863	142	58,165
Australia	20	637	24	1,985
Cayman Islands	20	7,558	23	8,202
Luxembourg	1	1,398	11	1,398
Netherlands	10	1,788	10	1,770
United Arab Emirates	8	419	4	320
South Africa	1	21	1	17
Bermuda	1	122	1	104
Brazil	1	395	1	400
Isle of Man	0	0	0	0
Malta	0	0	0	0
Mauritius	0	0	0	0
Other	2,247	1,105,095	2,226	1,064,343
Total	3,384	1,518,325	3,258	1,478,150

Figure 23

RTA Sub-delegated Location	2018 Number of Funds	2018 Net Assets (US\$ Millions)	2017 Number of Funds	2017 Net Assets (US\$ Millions)
Hong Kong	214	39,031	193	33,736
Ireland	211	85,535	188	79,134
Singapore	196	36,857	179	25,840
Canada	178	73,400	169	84,358
United States ²⁴	64	16,707	49	15,997
Australia	18	382	20	1,711
Cayman Islands	12	6,655	14	7,086
Netherlands	10	1,788	10	1,770
United Arab Emirates	9	421	4	320
South Africa	2	219	2	94
Luxembourg	1	245	1	130
Isle of Man	0	0	0	0
Malta	0	0	0	0
Mauritius	1	11	1	143
Other	2,794	1,399,954	2,785	1,350,527
Total	3,710	1,661,205	3,615	1,600,846

²³Top US states for NAV sub-delegated: New Jersey, New York, Delaware, North Carolina and California

²⁴Top US states for RTA sub-delegated: New York, Illinois, California, Delaware and Pennsylvania

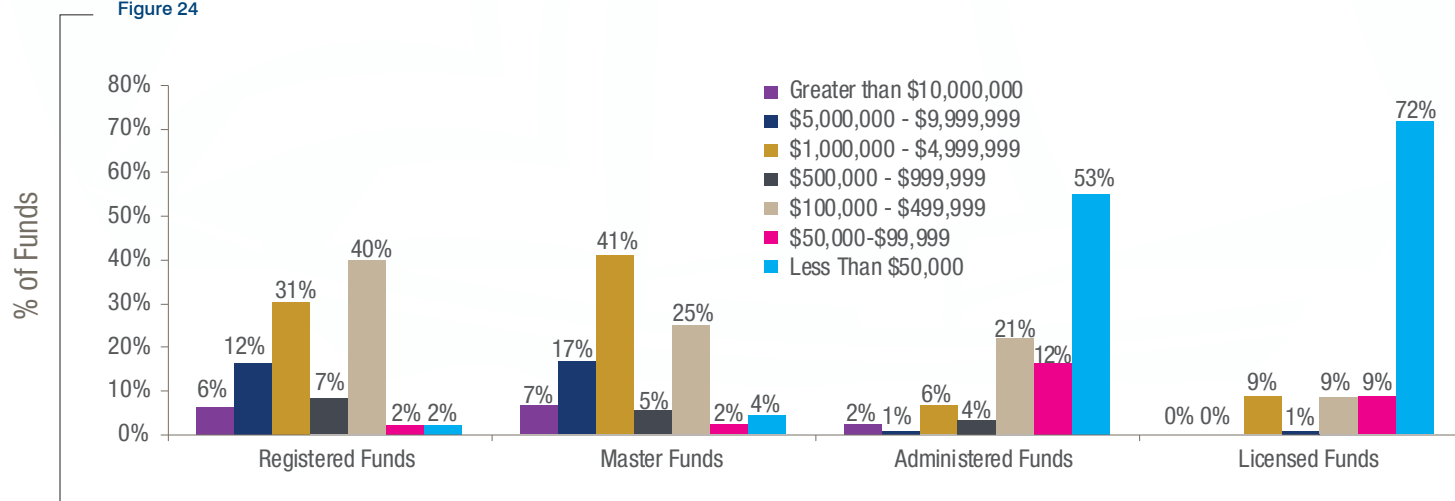
STATISTICAL STAND-ALONE ANALYSIS

MINIMUM INITIAL SUBSCRIPTION

The majority (40%) of Registered Funds which cater to institutional as well as high net worth individuals require a minimum initial subscription of between US\$100,000 to US\$499,999. Master Funds which are funded by feeder funds require a higher minimum initial subscription of between US\$1,000,000 and US\$4,999,999 for the majority (41%) of funds. Administered Funds require less than US\$50,000 (53%) of its funds and Licensed Funds also known as retail funds also require minimum initial subscription of less than US\$50,000 for the majority (72%) of funds.

Minimum Initial Subscription Amount (US\$)	Registered Funds	%	Master Funds	%	Administered Funds	%	Licensed Funds	%
Greater than \$10,000,000	409	6%	179	7%	6	2%	0	0%
\$5,000,000 - \$9,999,999	733	12%	458	17%	3	1%	0	0%
\$1,000,000 - \$4,999,999	1,922	31%	1,081	41%	14	6%	6	9%
\$500,000 - \$999,999	428	7%	131	5%	9	4%	1	1%
\$100,000 - \$499,999	2,665	40%	657	25%	53	21%	6	9%
\$50,000-\$99,999	142	2%	53	2%	30	12%	6	9%
Less Than \$50,000	82	2%	110	4%	138	53%	50	72%
Total	6,381	100%	2,669	100%	253	100%	69	100%

Figure 24

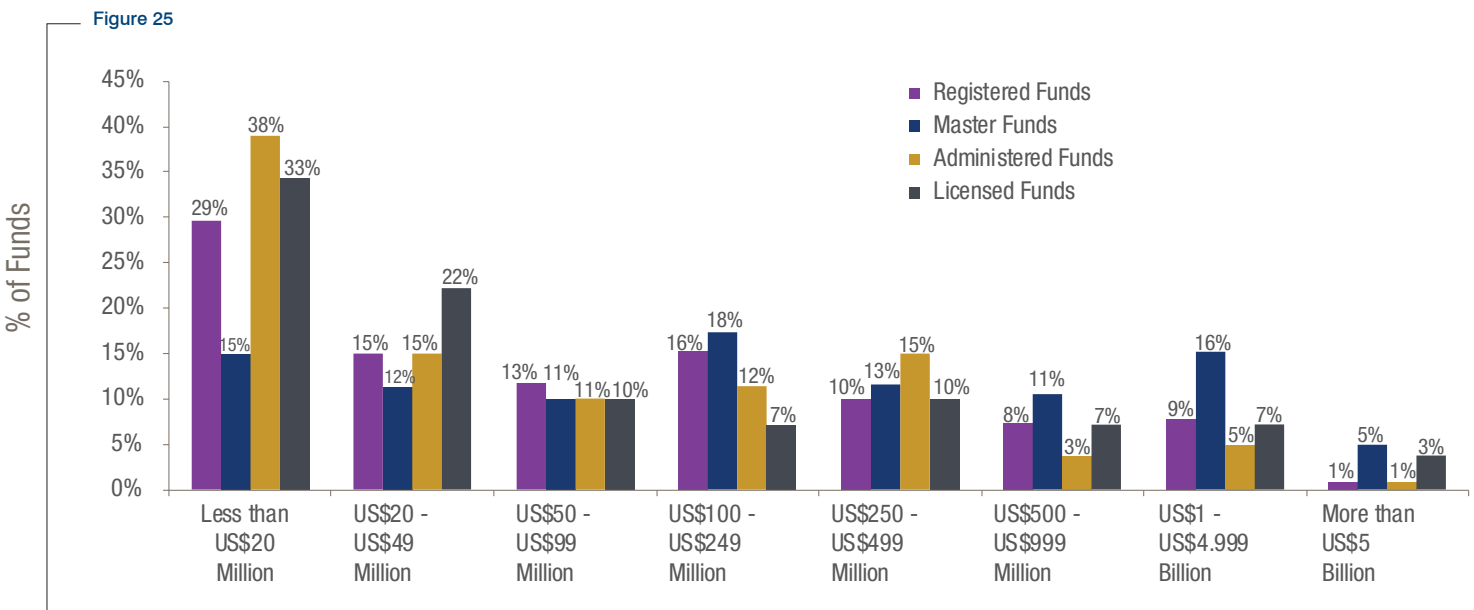


STATISTICAL TREND ANALYSIS

FUND SIZE BY TOTAL ASSETS

The distribution of fund sizes was consistent with the trend over the past three years. There were 2,375 funds with total assets less than US\$20 million which is considered mid size by industry standards. About one third of the Registered Funds had total assets with less than US\$20 million and eight funds with total assets in excess of US\$20 billion. 15.00% of the Master Funds had total assets of less than US\$20 million and 18% were between US\$100 to US\$249 million. There were thirty-six Master Funds with total assets in excess of US\$20 billion. 38% of the Administered Funds and 33% of Licensed Funds had total assets of less than US\$20 million. There were two Administered and two Licensed Funds with total assets in excess of US\$5 billion. Over the past two years, net income and asset appreciation has contributed to the increase in total assets but mutual funds which are waning in popularity will continue to face headwinds as redemptions exceed subscriptions which may lead to falling fund size. Other factors such as rising interest rates, which make alternative investments more attractive relative to mutual funds, accelerating international growth and geopolitical developments will also affect the size of the fund business.

Fund Size (US\$ Millions)	Registered Funds	%	Master Funds	%	Administered Funds	%	Licensed Funds	%
Less than US\$20 million	1,857	29%	399	15%	96	38%	23	33%
US\$20 - US\$49 million	935	15%	309	12%	39	15%	15	22%
US\$50 - US\$99 million	820	13%	294	11%	27	11%	7	10%
US\$100 - US\$249 million	1,017	16%	469	18%	30	12%	5	7%
US\$250 - US\$499 million	646	10%	354	13%	39	15%	7	10%
US\$500 - US\$999 million	502	8%	297	11%	7	3%	5	7%
US\$1 - US\$4.999 billion	543	9%	419	16%	13	5%	5	7%
More than US\$5 billion	61	1%	128	5%	2	1%	2	3%
Total	6,381	100%	2,669	100%	253	100%	69	100%



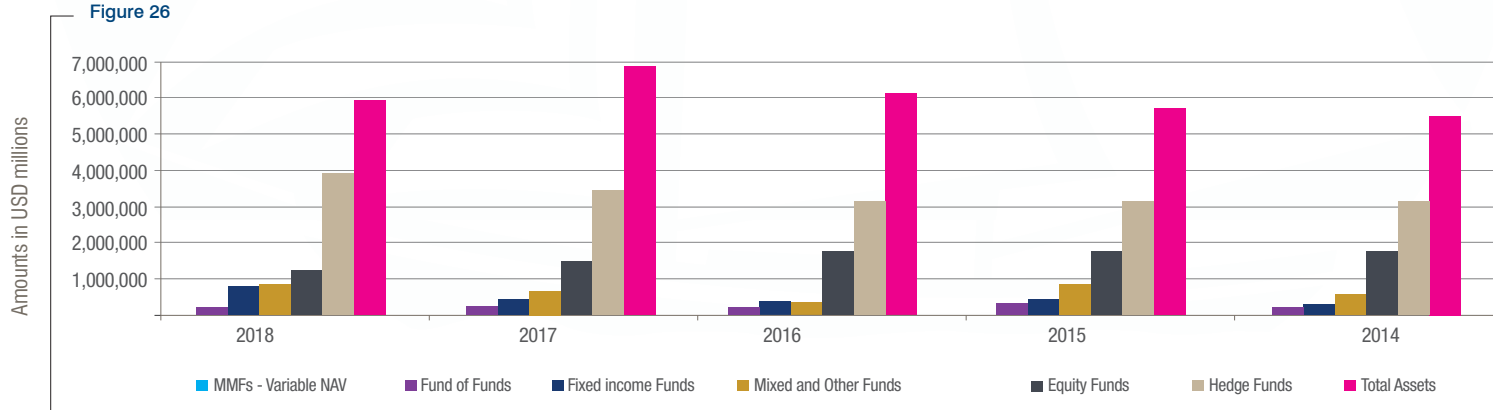
STATISTICAL TREND ANALYSIS

ECONOMIC FUNCTIONS OF INVESTMENT FUNDS

The Cayman Islands Monetary Authority continued its participation in the annual Non-Bank Financial Intermediation (NBFI) monitoring exercise conducted by the Financial Stability Board (FSB). The comprehensive monitoring of global trends, innovations, adaptations and risks of NBFI is a key priority for the FSB and an important element of its efforts to enhance the resilience of NBFI. The annual monitoring exercise seeks to assess global trends and risks in NBFI, and to identify financial entity types or activities for which size or rapid growth, in combination with heightened risks, may call for policy responses by the relevant authorities. This monitoring exercise also helps authorities deepen their understanding of NBFI and identify areas for further improvements in data availability and analysis. NBFI (previously referred to as Shadow Banking) is defined as credit intermediation involving entities and activities (fully or partially) outside the regular banking system. Mitigating the build-up of systemic risk, strengthening overall financial stability oversight and ultimately transforming NBFI into “resilient market-based financing” are key financial reform priorities for the G20 countries and the FSB. As detailed in Figure 26, the total assets of Cayman Islands hedge funds²⁵ continued to increase.

Economic Functions	2018 (US\$ millions)	2017 (US\$ millions)	2016 (US\$ millions)	2015 (US\$ millions)	2014 (US\$ millions)
Money Market Funds - variable NAV ²⁶	1	5	2	4	5
Fund of Funds	177	229	231	246	275
Fixed Income Funds	549	536	436	364	306
Mixed and Other Funds	634	692	431	685	695
Hedge funds	3,891	3,825	3,255	2,904	2,917
Total Potential Credit Intermediation	6,010	5,287	4,355	4,203	4,198
Equity Funds²⁷	1,340	1,649	1,787	1,504	1,407
Total Assets	7,350	6,936	6,142	5,707	5,605

Figure 26



²⁶Hedge Funds as defined for the NBFI Monitoring Project are funds with a gross leverage ratio (GNE/NAV) exceeding 125%.

²⁷While CIMA is able to collect statistics from funds on their investments in money market instruments, the MMFs – variable NAV represents CIMA's 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.

²⁸Equity Funds invest principally in equity securities and therefore are assessed as not engaging in credit intermediation
*Due to rounding, subtotals may differ from the total sum.

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, one of the 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.

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 (2018 Revision).

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 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

Glossary of Terms (CONTINUED)

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.

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

Glossary of Terms (CONTINUED)

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 (2018 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

Personal Notes





PO Box 10052
SIX, Cricket Square
Grand Cayman KY1 - 1001
CAYMAN ISLANDS

General Office: 345-949-7089
Fax: 345-949-9730

www.cima.ky