

2019

# INVESTMENTS

## STATISTICAL DIGEST





# Table of Contents

Table of Acronyms.....	3
Introduction.....	4
Global Economic Overview.....	5
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.....	11
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.....	16
Legal Holder of Funds.....	18
Investment Strategy.....	19
Subscriptions, Redemptions and Net Asset Flows	
by Investment Strategy.....	22
Changes in Net Assets, Dividends and Net Income	
by Investment Strategy.....	25
Net Assets by Investment Manager Location - USA.....	28
Net Assets by Investment Manager Location - Other.....	29
Net Asset Value (NAV) Calculation Location.....	31
Registrar and Transfer Agent (RTA) Calculation Location.....	32
NAV and RTA Sub-Delegated Location.....	33
Minimum Initial Subscription.....	34
Fund Size by Total Assets.....	35
Economic Functions of Investment Funds.....	36
Glossary of Terms.....	37

# 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

## INTRODUCTION

At the end of 2019, there were 10,937 mutual funds regulated by the Cayman Islands Monetary Authority (CIMA) and 10,992 at the end of 2018, a decrease of 55 compared to an increase of 433 funds between 2017 and 2018. The decline in the number of funds of 0.5% in 2019 follows decreases of 3% in 2014, 1% in 2015, 3% in 2016, 0.3% in 2017 and an increase of 4.1% in 2018. According to Statista in 2019, fund providers worldwide offered 122,528 regulated funds for sale up 3.6% from 2018 with 46% of these funds domiciled in Europe, 29% in the Asia-Pacific region, 8% in the United States, and the rest of the world 17%.

### Number of Funds (Figure 2):

<b>Registered Funds</b>	<b>7,656 (2018: 7,654)</b>
<b>Master Funds</b>	<b>2,919 (2018: 2,946)</b>
<b>Administered Funds</b>	<b>295 (2018: 317)</b>
<b>Licensed Funds</b>	<b>67 (2017: 75)</b>

Total and Ending Net Assets in 2019 increased by 10% and 8% respectively, when compared to 2018 despite the slight decrease in the total number of funds at year end. Net income at US\$451 billion compared to the loss of US\$30 billion the prior year reflected gains in global stock prices and a strong rebound in financial markets in 2019.

<b>Total Assets:</b>	<b>US\$8.104 trillion</b>	<b>(2018: US\$7.350 trillion)</b>
<b>Net Asset Value (NAV):</b>	<b>US\$4.229 trillion</b>	<b>(2018: US\$3.916 trillion)</b>
<b>Gross Notional Exposure:</b>	<b>US\$10.719 trillion</b>	<b>(2018: US\$9.264 trillion)</b>
<b>Net (Loss) Income:</b>	<b>US\$451 billion</b>	<b>(2018: US\$(30) billion)</b>
<b>Dividends:</b>	<b>US\$31 billion</b>	<b>(2018: US\$36 billion)</b>

Total subscriptions and redemptions in 2019 were down US\$110 billion or 10% and US\$49 billion or 5%, respectively, compared to 2018. The net outflow of US\$91 billion (2018: US\$30 billion) in which redemptions exceeded subscriptions was offset by higher net income and asset appreciation during the year resulting in an increase in total ending net assets of US\$313 billion.

The total number of funds managed by firms in the United States is 4,657 or 52% of all Cayman Islands funds 36%; 1,021 or 11% by Cayman Islands companies and 946 or 11% of the funds were managed by companies in the United Kingdom.

Cayman Islands Service Providers are responsible for net asset value (NAV) calculation services for 3,685 funds or 41% and registrar and transfer agent services (RTA) for 4,014 funds or 45% of all Cayman Islands funds submitting the FAR in 2019. With 10,937 funds, the Cayman Islands remains the leading jurisdiction for establishing offshore investment funds globally. According to Deloitte, the next largest offshore jurisdictions are Luxembourg with 3,552 registered funds, Ireland with 2,877, the British Virgin Islands with 1,231 and Jersey with 884 funds.

# Global Economic Overview

The coronavirus disease (COVID-19) which was first identified in December 2019 in Wuhan, China and declared a pandemic by the World Health Organization (WHO) in March 2020, has presented threats to financial systems and healthcare institutions throughout the world. COVID-19 resulted in social isolation within countries, closed borders, loss of business, loss of employment, industry-wide shutdowns, and many adverse economic effects such as the 30% decline in the US stock market by April 2020. In addition to financial markets, COVID-19 is expected to have a pronounced effect on the travel and leisure industry, food and catering and consumer discretionary spending. Emerging market economies have been subjected to large capital outflows and pressure on the foreign exchange rate and reserves and there has been a substantial increase in the risk of debt distress in public and private debt.

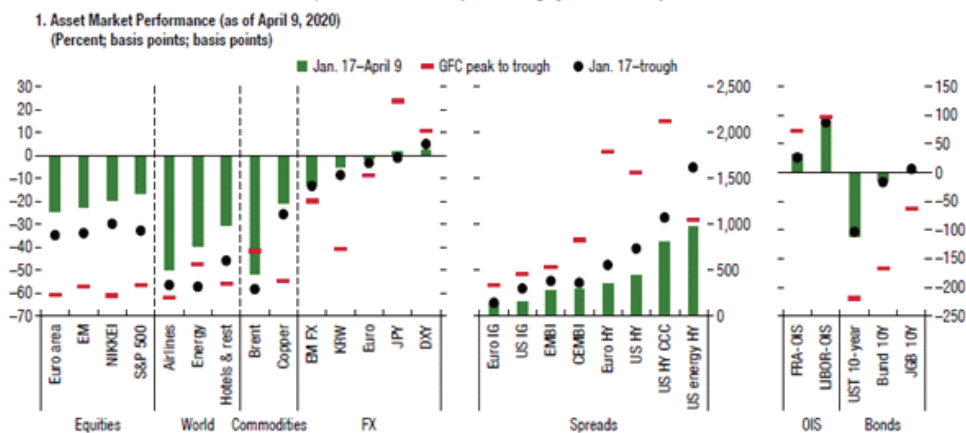
Early in 2019, financial markets were buoyed by a widespread sense of optimism on the back of supportive monetary policies, reduced trade tensions, and tentative signs of stabilization in the global economy. However, the necessary measures imposed in 2020 by countries to slow the spread of the virus and to bolster the capacity of health systems have led to a sudden halt in economic activities in many key sectors of the global economy and a sharp deterioration of the economic outlook.

The world economies expanded by 3.2% in 2017 and 3% in 2018 but in 2019 experienced a synchronized slowdown with growth falling to 2.3% because of the protracted trade disputes and a slowdown in domestic investment, international trade flows and global manufacturing activity. The International Monetary Fund (IMF) predicted global growth to decline by 4.4% in 2020, which is worse than the 2008 global financial crisis, compared to expected increase of 3.4%. This is less severe than 4.9% contraction forecast in June 2020 as some improvements were achieved as countries lifted their lockdown and China returned to growth.

In early March 2020, the failure of OPEC+ countries to reach an agreement on output cuts led to oversupply and a further decline in oil prices which created a significant drag on the economy. According to the April 2020, IMF Global Financial Stability Report, as COVID-19 spread globally, the prices of risk assets and commodities started to fall at unprecedented speed. On the other hand, the prices of safe-haven assets, such as gold and US treasuries, gained as investors reassessed the economic impact of COVID-19 and rushed for safety and liquidity. (See Figure 1.1)

**Figure 1.1. Financial Market Developments: Adding Oil to the Fire**

Investors fled risk assets for safe-haven assets, with some risk asset prices falling by more than 25 percent.



Source: April 2020 IMF Global Financial Stability Report

After a sharp slowdown during the last three quarters of 2018, global growth stabilized at a weak pace in the first half of 2019. Trade tensions, which had abated earlier in the year, rose sharply, resulting in significant tariff increases between the United States and China and hurt business sentiment and confidence globally. While financial market sentiment has been undermined by these developments, a shift toward increased monetary policy accommodation in the United States and many other advanced and emerging market economies has been a counterbalancing force. Brexit-related uncertainty slowed growth in the UK, the euro area economy registered stronger growth in the first half of

2019 than in the second half of 2018, but the German economy contracted in the second quarter as industrial activity slumped. China's growth was lifted by fiscal stimulus and some easing of the pace of financial regulatory strengthening initiated in the second half of 2018, but growth in 2019 was limited in response to external and internal challenges.

According to the 2020 Investment Company Factbook, the performance of stock markets around the world in 2019 reflected optimism about international trade and future



# Global Economic Overview

global economic growth. In the United Kingdom, the Financial Times Stock Exchange (FTSE) 100 Index was up 12% for the year, while in Germany, the Deutscher Aktienindex (DAX) rose more than 25%. In China, the Shanghai Composite Index was up more than 22%, and the broader MSCI Emerging Markets Index indicated that stock prices in emerging markets increased more than 15%.

In the United States, after the Federal Reserve raised rates four times in 2018 including a December 2018 hike that took its key rate to 2.5%, there were three rate decreases of 25 basis points each in 2019. The Fed's rationale for the rate decreases was an insurance policy for the growing economy but the Fed left rates unchanged in December 2019 and turned its attention to stabilizing overnight funding markets and reconsidering its inflation targeting framework. Low unemployment, steady wage gains and stable inflation made consumers the foundation of continued economic growth and a move away from tariff escalation restored business confidence and investment.

In the Eurozone, rates were held steady but with the European Central Bank (ECB) running out of room to ease and some of the external risks like Brexit fading, policy rates remained on hold through 2020. In the United Kingdom where the Conservatives secured a working majority in the December 2019 election, the conclusion of Brexit is now anticipated but the real challenge will lie in preparing the country for its new relationship with the EU, which will entail defining new trade terms, new customs procedures and new regulations. It may be difficult to achieve all of this without extending the transition period beyond December 31, 2020. If work is not completed by this latter deadline, a "no-deal" departure is still a possibility.

The Japanese economy continued to struggle amid external uncertainties and decelerating business investments. However, a US\$120 billion economic stimulus offset the impact of the October 2019 consumption tax hike.

In exchange for a deferral on the December US tariffs and a reduction by half of other tariffs imposed in 2019, China committed to increased purchases of US agricultural, energy and other goods in 2020. China's overall GDP growth reached 6.2% year-on-year in the first three quarters of 2019, the fastest among major economies worldwide. However, economic activity continued to moderate as weak investment growth and sluggish exports weighed on growth momentum. Further trade tensions alongside rising geopolitical risks, nationalist policies and

intensifying social unrest could reverse financing conditions, expose financial vulnerabilities, and severely disrupt growth throughout the world economies.

According to the IMF, the US economy is expected to shrink by 8% in 2020 before expanding by 3.1% in 2021 and the Eurozone is expected to experience a harsher contraction but a sharper recovery with output falling by 8.3% in 2020 before rebounding to 5.2% in 2021. Britain, which has the added challenge of Brexit to cope with, will see its economy shrink by 10.2% in 2020 and grow by 6.3% in 2021. China is expected to expand by 1.9% in 2020 and 8.2% in 2021 and account for more than one-quarter of global growth.

The global economy needs a strong comeback in 2021 to recover from the negative effects of the coronavirus pandemic. However, the IMF is warning of a long, slow recovery that will stoke poverty and damage growth. The IMF has forecast a 5.2% increase in global output in 2021 down from the initial assessment of 5.4% and global growth of roughly 3.5% between 2022 and 2025. One consequence will be worsening inequality and a severe setback for improvements to living standards, both in developed economies like the United States and emerging markets like Mexico and Argentina.

Unprecedented stimulus responses by governments throughout the world will ratchet up the sum of global debt with national debt in advanced economies poised to reach 125% of GDP. The path of the virus, however, can easily revive shut down measures and plunge economies back into deep recessions. Second and third outbreaks of the virus, weakened tourism, softened demand and a dip in financial sentiment could stymie capital flows and keep cash from struggling businesses thereby lowering growth expectations.

A viable COVID-19 vaccine may fuel a second rebound in activity, but world distribution may be hampered by lack of transportation and storage. Fiscal and monetary policies will therefore have to continue to be used by countries to lower the risk of a recession in 2021. Governments must avoid premature withdrawal of economic support and the IMF recommends synchronized investment in infrastructure in developed and developing economies to provide jobs and boost the world economies in 2021 and beyond.

# Statistical Trend Analysis

## HIGHLIGHTS

**US \$4.229 Trillion**  
Net Asset Value

The ending net asset value (NAV) of Cayman funds increased by US\$313 billion or 8% during the year and net income of US\$451 billion was a reversal from 2018 when the net loss was US\$30 billion. The return on gross assets was 5.56% (2018: -0.41%) and the return on net assets was 10.66% (2018: -.76%) lagging gains enjoyed in the broader stock market. As a result of the improvement in income, total performance fees were

US\$22 billion, double the amount of 2018, but dividends were lower at US\$31 billion (2018: US\$36 billion). The number of Fund Annual Returns (FAR) submitted in 2019 was 8,932 <sup>1</sup> (2018: 9,372) representing 82% of all funds registered with CIMA at the end of 2019.<sup>2</sup>

The growth in the ending NAV of Cayman funds was consistent with funds regulated worldwide as NAV increased by US\$8.2 trillion to US\$54.9 trillion. Unlike Cayman where net outflows was US\$91 billion, worldwide

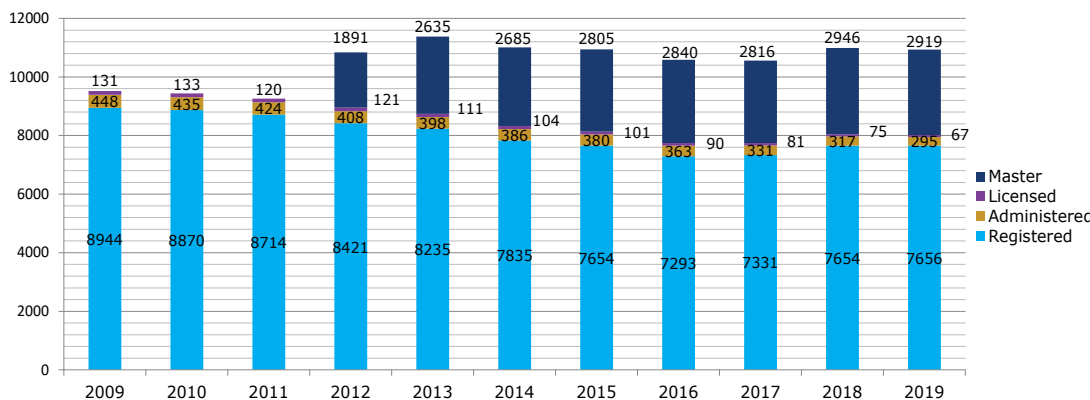
Figure 1

	2019	2018
Net Asset Value	US\$4.229 trillion	US\$3.916 trillion
Total Assets	US\$8.104 trillion	US\$7.350 trillion
Gross Notional Exposure	US\$10.719 trillion	US\$9.264 trillion
Total Subscriptions	US\$939 billion	US\$1.049 trillion
Total Redemptions	US\$1.030 trillion	US\$1.079 trillion
Net Income (Loss)	US\$451 billion	US\$(30) billion
Dividends	US\$31 billion	US\$36 billion
Total performance fees	US\$22 billion	US\$11 billion
Return on Gross Assets	5.56%	-0.41%
Return of Net Assets	10.66%	-0.76%
Top location of Investment Managers by ending net assets	United States of America (68%)	United States of America (68%)
Primary location for NAV calculation services by ending net assets	Cayman Islands (44%)	Cayman Islands (39%)
Primary location for RTA services by ending net assets	Cayman Islands (48%)	Cayman Islands (42%)
% of Funds requiring a minimum initial investment of US\$1M or more	51%	51%
Top two investment strategies	Multi-Strategy (23%) Long/Short Equity (19%)	Multi-Strategy (24%) Long/Short Equity (18%)
% of total number of funds with leverage at 100% or more	Registered Funds - 62% Master Funds - 58% Administered Funds - 28% Licensed Funds - 36%	Registered Funds - 54% Master Funds - 54% Administered Funds - 20% Licensed Funds - 35%
Side pockets implemented during the year to separate liquid assets	380 funds	349 funds
Gate on redemptions implemented during the year	443 funds	445 funds
Equity interest redeemed during the year	838 funds	893 funds
Trading of equities suspended during the year	561 funds	541 funds
Funds currently subject to regulatory investigation	58 funds	61 funds
Funds with intention to terminate	1,048 (12%)	1,101 (12%)

net inflows were US\$454 billion in 2019 compared to net outflows of US\$187 billion 2018.<sup>3</sup> The Mutual Funds (Amendment) Act which now requires funds, with fifteen investors or less, to be regulated by CIMA. Prior to the commencement of this Act in February 2020, these funds were exempt from licensing and registration.

Certain additional financial and legal details on service providers and investors will be required as well as additional details on the type and specifics of the fund's assets and liabilities including (margin) accounts with brokers/custodians, accounts receivable/accounts payable, cash, and direct investments if the fund holds more than 10% of an entity's equity.

Figure 2



<sup>1</sup> At the date of compilation of this issue of the Digest 8,932 funds had successfully filed a FAR.

<sup>2</sup> The data presented consists of 6,141 Registered Funds, 2,507 Master Funds, 221 Administered Funds, and 63 Licensed Funds.

<sup>3</sup> 60<sup>th</sup> edition Investment Company Fact Book

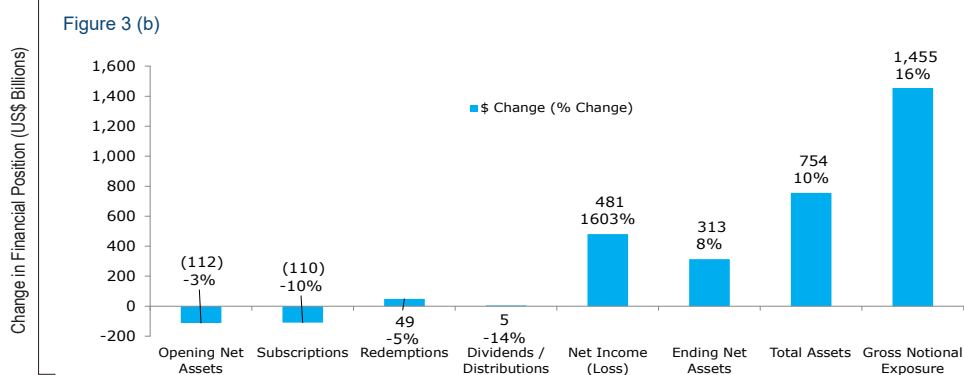
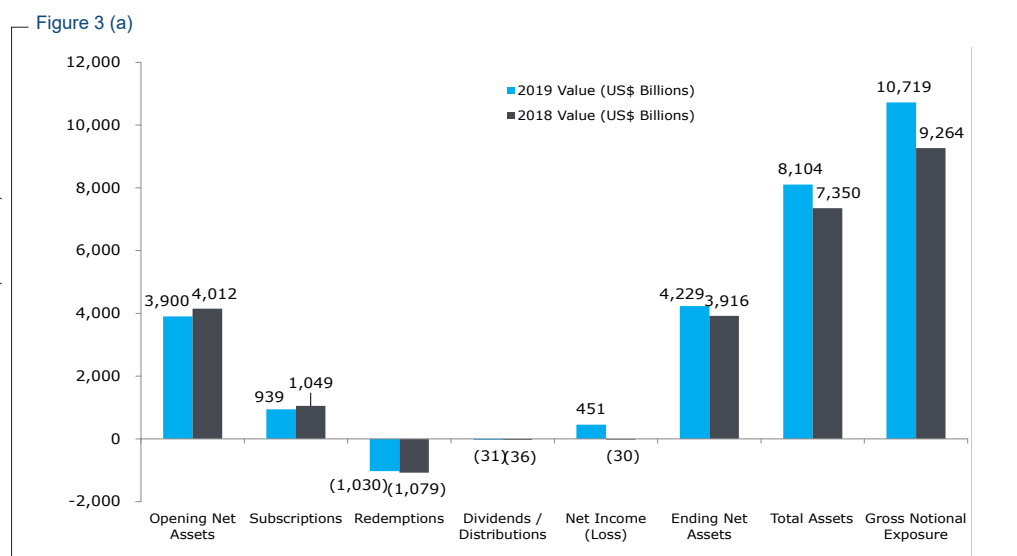
# Statistical Trend Analysis

## FINANCIAL POSITION - ALL FUNDS

Total subscriptions of US\$939 billion were 10% lower and total redemptions of US\$1.030 trillion were 5% lower than in 2018.

There was a net asset outflow of US\$91 billion compared to net outflow of US\$30 billion in 2018. Among the reasons for the net outflow was some investors, such as those nearing retirement, may have reassessed their tolerance for investment risk and reduced their mutual fund holdings while others turned to Exchange Traded Funds instead of traditional mutual funds. Other investors were likely responding to favorable returns on bonds and shifted their portfolio from mutual funds to bonds.

During 2019, the twists and turns of the US/China trade disputes impacted financial markets and business sentiment was further weakened amid concerns about downside risks to the global economy. The US Federal Reserve cut its policy rate by 25 basis points in July, September, and October 2019, the first interest rate cuts since the financial crisis, and ended the reduction of its securities holdings earlier than previously planned.



Financial Position <sup>4</sup>	2019 Value (US\$ Billions)	2018 Value (US\$ Billions)	\$ Change	% Change
Opening Net Assets	3,900	4,012	(112)	-3%
Subscriptions	939	1,049	(110)	-10%
Redemptions	(1,030)	(1,079)	49	-5%
Dividends / Distributions	(31)	(36)	5	-14%
Net Income (Loss)	451	(30)	481	1603%
<b>Ending Net Assets</b>	<b>4,229</b>	<b>3,916</b>	<b>313</b>	<b>8%</b>
<b>Total Assets</b>	<b>8,104</b>	<b>7,350</b>	<b>754</b>	<b>10%</b>
<b>Gross Notional Exposure</b>	<b>10,719</b>	<b>9,264</b>	<b>1,455</b>	<b>16%</b>
Return on Gross Assets	5.56%	-0.41%		
Return on Net Assets	10.66%	-0.76%		

The European Central Bank lowered the interest rate on its deposit facility by 10 basis points in September and restarted net purchases of assets in November. As a result of these market conditions, investors were motivated to search for yields by increasing duration and credit exposures, a development that has boosted asset valuations. Persistently low and declining yields on fixed-income instruments have continued to drive institutional investors—especially those with nominal return targets or investment mandate constraints—to boost returns by using leverage and investing in riskier and less liquid assets.<sup>5</sup>

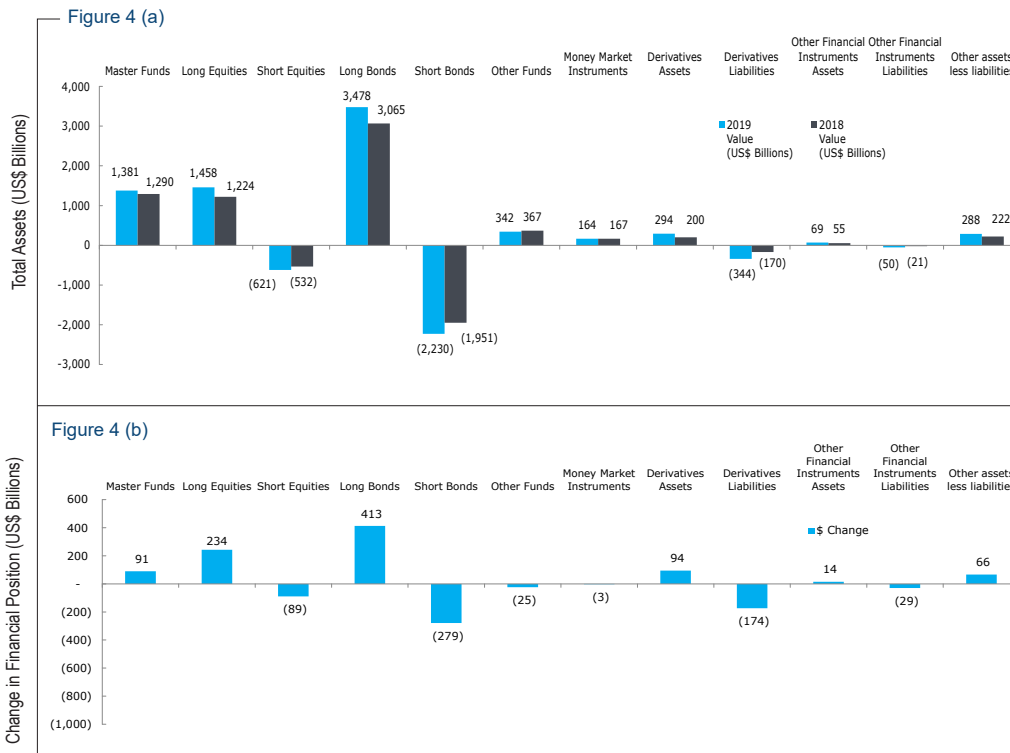
<sup>4</sup> The decrease from the 2018 ending net assets to the 2019 opening net assets is attributed to new fund authorisations, de-registrations, and waivers during 2019, resulting in a different set of funds filing a 2019 FAR compared to 2018.

<sup>5</sup> IMF Global Stability Report October 2019



# Statistical Trend Analysis

## ASSET ALLOCATION - ALL FUNDS



Most Cayman Islands mutual funds invest in bonds which provide investors with safety amidst the fear of a recession and this continued in 2019 despite the increase in US bond prices as interest rate decreased. The allocation of NAV for Long Bonds was US\$3.478 trillion or 32% compared to US\$3.065 trillion or 33% in 2018 an increase of US\$413 billion. Long Equities which is the second largest allocation of NAV was US\$1.458 trillion or 19% higher than 2018. As monetary policies across the globe eased, trade talks between the United States and China resumed and additional tariffs were postponed, stock prices in the United States rebounded by 31% in 2019 hence the increase in equity holdings. European stock markets returned 24.6% and the Asia-Pacific stock markets returned 19.7%.

Worldwide, equity funds—which invest primarily in publicly traded stocks—remained the largest category of regulated funds, accounting for 45% of net assets at year-end 2019. Bond funds—which invest primarily in fixed-income securities—and mixed/other funds each made up 21% of net assets. Money market funds, which are generally defined throughout the world as regulated funds that are restricted to holding only short-term, high-quality money market instruments, accounted for 13% of net assets.

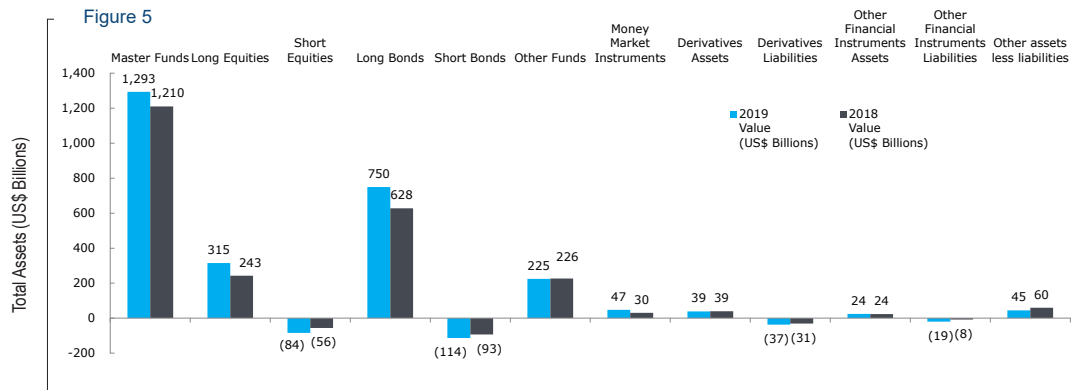
Asset Allocation	2019 Value (US\$ Billions)	2019 % Allocated	2018 Value (US\$ Billions)	2018 % Allocated 13.94%	\$ Change (US\$ Billions)	% Change
Master Funds	1,381	12.88%	1,290	13.92%	91	7.03%
Long Equities	1,458	13.60%	1,224	13.21%	234	19.12%
Short Equities	(621)	5.80%	(532)	5.75%	(89)	16.74%
Long Bonds	3,478	32.45%	3,065	33.09%	413	13.46%
Short Bonds	(2,230)	20.81%	(1,951)	21.06%	(279)	14.31%
Other Funds	342	3.19%	367	3.96%	(25)	-6.87%
Money Market Instruments	164	1.53%	167	1.80%	(3)	-1.69%
Derivatives Assets	294	2.74%	200	2.16%	94	46.90%
Derivatives Liabilities	(344)	3.21%	(170)	1.83%	(174)	102.52%
Other Financial Instruments Assets	69	0.64%	55	0.59%	14	26.48%
Other Financial Instruments Liabilities	(50)	0.47%	(21)	0.23%	(29)	138.34%
Other assets less liabilities	288	2.68%	222	2.40%	66	29.73%
<b>Total Net Asset Value</b>	<b>4,229</b>	<b>100%</b>	<b>3,916</b>	<b>100%</b>	<b>313</b>	<b>7.99%</b>
<b>Gross Notional Exposure</b>	<b>10,719</b>		<b>9,264</b>		<b>1,455</b>	<b>15.70%</b>

For Cayman funds, there was an increase in NAV for all asset allocation categories except Other Funds and Money Markets which were down 7% and 1%, respectively. Lower interest rates in 2019 and a reallocation to stocks and bonds resulted in the decline in investment in money market funds. Gross Notional Exposure of US\$10.719 trillion was 15.7% higher than in 2018.

# Statistical Trend Analysis

## FINANCIAL POSITION & ASSET ALLOCATION - REGISTERED FUNDS

At the end of 2019, there were 7,656 Registered Funds two more than at the end of 2018. 6,141 FARs were received for a submission rate of 80% (2018: 83%). Total ending net assets were US\$2.484 trillion an increase of US\$212 billion or 9% over 2018. There was a nil net inflow/outflow in 2019 as subscriptions and redemptions were US\$596 billion compared to a net inflow of \$21 billion in 2018. Net income in 2019 was US\$226 billion compared to a Net Loss of US\$29 billion in 2018 representing a change of 879% and total dividends distributed were US\$15 billion (2018: US\$19 billion). Master Funds representing 43.20% of total asset allocation remained the most prominent investment type. Investments in all asset categories except Other Funds were higher in 2019 compared to 2018 with the largest increase of 137.5% in Other Financial Instruments Liabilities which are contractual obligation to deliver cash or another financial asset to another entity or a contract that will or may be settled in the entity's own equity instruments.



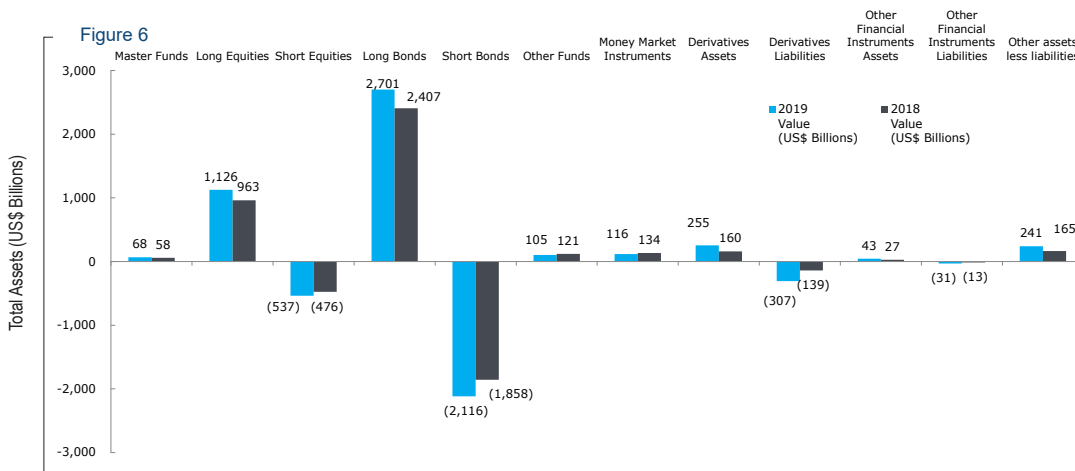
Financial Position (US\$ Billions) <sup>6</sup>	2019	2018	\$ Change	% Change
Opening Net Assets	2,273	2,299	(26)	-1.13%
Subscriptions	596	642	(46)	-7.17%
Redemptions	(596)	(621)	25	-4.03%
Dividends / Distributions	(15)	(19)	4	21.05%
Net Income (Loss)	226	(29)	255	879.31%
<b>Ending Net Assets</b>	<b>2,484</b>	<b>2,272</b>	<b>212</b>	<b>9.33%</b>
<b>Total Assets</b>	<b>2,954</b>	<b>2,646</b>	<b>308</b>	<b>11.62%</b>
<b>Gross Notional Exposure</b>	<b>2,993</b>	<b>2,648</b>	<b>345</b>	<b>13.03%</b>

Asset Allocation	2019 Value (US\$ Billions)	2019 % Allocated	2018 Value (US\$ Billions)	2018 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	1,293	43.20%	1,210	45.69%	83	6.86%
Long Equities	315	10.53%	243	9.18%	72	29.63%
Short Equities	(84)	2.81%	(56)	2.11%	(28)	50.00%
Long Bonds	750	25.06%	628	23.72%	122	19.43%
Short Bonds	(114)	3.81%	(93)	3.51%	(21)	22.58%
Other Funds	225	7.52%	226	8.53%	(1)	-0.44%
Money Market Instruments	47	1.58%	30	1.13%	17	56.66%
Derivatives Assets	39	1.30%	39	1.47%	0	0.00%
Derivatives Liabilities	(37)	1.24%	(31)	1.17%	(6)	19.35%
Other Financial Instruments Assets	24	0.80%	24	0.92%	0	0.00%
Other Financial Instruments Liabilities	(19)	0.65%	(8)	0.30%	(11)	137.50%
Other assets less liabilities	45	1.50%	60	2.27%	(15)	-25.00%
<b>Total Net Asset Value</b>	<b>2,484</b>	<b>100%</b>	<b>2,272</b>	<b>100%</b>	<b>212</b>	<b>9.33%</b>

<sup>6</sup> The increase from the 2018 ending net assets to the 2019 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2019, resulting in a different set of funds filing a 2019 FAR when compared to 2018.

# Statistical Trend Analysis

## FINANCIAL POSITION & ASSET ALLOCATION - MASTER FUNDS



The total number of Master Funds registered by CIMA at the end of 2019 was 2,919 a decrease of 27 compared to 2018. The total number of FARs received was 2,507 for an 86% (2018: 91%) submission rate. Despite fewer FARs received in 2019, total ending net assets increased by US\$115 billion or 7%. As in the prior year, there was a net asset outflow of US\$86 billion (2018: US\$47 billion) as redemptions of US\$406 billion exceeded subscriptions of US\$320 billion. Net Income was US\$221 billion compared to a Net Loss of US\$2 billion in 2018 and dividends at US\$12 billion were unchanged from the prior year. Long Bonds which account for 35.33% of total NAV allocation increased by 12.21% in 2019. Only investments in Other Funds and Money Market Instruments, due to falling interest rates, were down when compared to 2018.

Financial Position (US\$ Billions) <sup>7</sup>	2019	2018	\$ Change	% Change
Opening Net Assets	1,541	1,606	(65)	-4%
Subscriptions	320	376	(56)	-15%
Redemptions	(406)	(423)	17	-4%
Dividends / Distributions	(12)	(12)	0	0%
Net Income (Loss)	221	2	219	10950%
<b>Ending Net Assets</b>	<b>1,664</b>	<b>1,549</b>	<b>115</b>	<b>7%</b>
<b>Total Assets</b>	<b>5,064</b>	<b>4,601</b>	<b>463</b>	<b>10%</b>
<b>Gross Notional Exposure</b>	<b>7,645</b>	<b>6,521</b>	<b>1,124</b>	<b>17%</b>

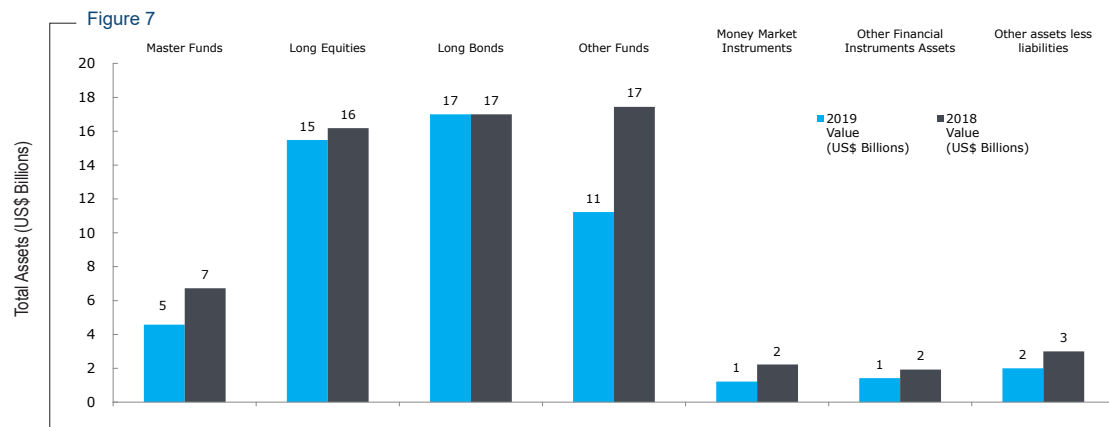
Asset Allocation	2019 Value (US\$ Billions)	2019 % Allocated	2018 Value (US\$ Billions)	2018 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	68	0.89%	58	0.90%	10	17.24%
Long Equities	1,126	14.73%	963	14.77%	163	16.93%
Short Equities	(537)	7.02%	(476)	7.30%	(61)	12.82%
Long Bonds	2,701	35.33%	2,407	36.91%	294	12.21%
Short Bonds	(2,116)	27.68%	(1,858)	28.49%	(258)	13.89%
Other Funds	105	1.37%	121	1.86%	(16)	-13.22%
Money Market Instruments	116	1.52%	134	2.05%	(18)	-13.43%
Derivatives Assets	255	3.34%	160	2.45%	95	59.38%
Derivatives Liabilities	(307)	4.02%	(139)	2.12%	(168)	120.86%
Other Financial Instruments Assets	43	0.56%	27	0.42%	16	59.26%
Other Financial Instruments Liabilities	(31)	0.40%	(13)	0.20%	(18)	138.46%
Other assets less liabilities	241	3.14%	165	2.53%	76	46.06%
<b>Total Net Asset Value</b>	<b>1,664</b>	<b>100%</b>	<b>1,549</b>	<b>100%</b>	<b>115</b>	<b>7.42%</b>

<sup>7</sup> The decrease from the 2018 ending net assets to the 2019 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2019, resulting in a different set of funds filing a 2019 FAR when compared to 2018.

# Statistical Trend Analysis

## FINANCIAL POSITION & ASSET ALLOCATION - ADMINISTERED FUNDS

There were 295 Administered Funds registered with CIMA in 2019 down 22 compared to 2018. The number of FARs received was 221 or 75% (2018: 80%) submission rate. Total ending net assets were down 18.75% to US\$52 billion from US\$64 billion in 2018 and total redemptions of US\$17 billion exceeded subscriptions of US\$15 billion resulting in net asset outflow of US\$2 billion. Unlike the prior year when there was a Net Loss of US\$2 billion, total Net Income was US\$3 billion in 2019 but Dividends distributed were US\$1 billion less. As in the prior years, Bonds and Equities are the major investment types and in 2019 accounted for 62% (2018: 52%) of ending NAV.



Financial Position (US\$ Billions) <sup>8</sup>	2019	2018	\$ Change	% Change
Opening Net Assets	54	74	(20)	-27%
Subscriptions	15	22	(7)	-32%
Redemptions	(17)	(26)	(9)	-35%
Dividends / Distributions	(3)	(4)	1	25%
Net Income (Loss)	3	(2)	5	250%
<b>Ending Net Assets</b>	<b>52</b>	<b>64</b>	<b>(12)</b>	<b>-19%</b>
<b>Total Assets</b>	<b>56</b>	<b>68</b>	<b>12</b>	<b>18%</b>
<b>Gross Notional Exposure</b>	<b>52</b>	<b>64</b>	<b>12</b>	<b>19%</b>

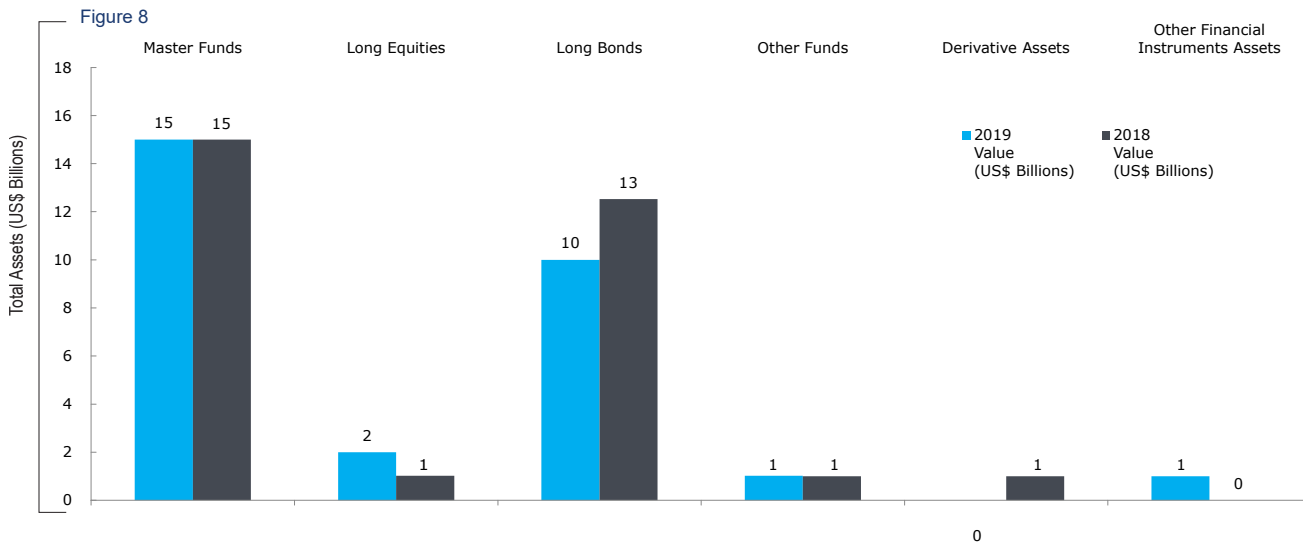
Asset Allocation	2019 Value (US\$ Billions)	2019 % Allocated	2018 Value (US\$ Billions)	2018 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	5	9.62%	7	10.93%	(2)	-28.57%
Long Equities	15	28.85%	16	25.00%	(1)	-6.25%
Long Bonds	17	32.69%	17	26.56%	0	0.00%
Other Funds	11	21.15%	17	26.56%	(6)	-35.29%
Money Market Instruments	1	1.92%	2	3.13%	(1)	-50.00%
Other Financial Instruments Assets	1	1.92%	2	3.13%	(1)	-50.00%
Other assets less liabilities	2	3.85%	3	4.69%	(1)	-33.33%
<b>Total Net Asset Value</b>	<b>52</b>	<b>100%</b>	<b>64</b>	<b>100%</b>	<b>(12)</b>	<b>-18.75%</b>

<sup>8</sup> The decrease from the 2018 ending net assets to the 2019 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2019, resulting in a different set of funds filing a 2019 FAR when compared to 2018.

# Statistical Trend Analysis

## FINANCIAL POSITION & ASSET ALLOCATION - LICENSED FUNDS

There were 67 Licensed Funds at the end of 2019 eight fewer than in 2018. 63 FARs were received representing a 94% (2018: 92%) submission rate. Total ending net assets were US\$29 billion (2018: US\$31 billion) or 6% lower. There was a net outflow of US\$3 billion as redemptions of US\$11 billion exceeded subscriptions of US\$8 billion. Net Income was US\$1 billion compared to Net Loss of US\$1 billion in 2018 and dividends of US\$1 billion were unchanged from the prior year. Investments in Master Funds which accounted for 51.72% of total ending net asset allocation was up slightly from 48.40% in 2018 while there were decreases in Bonds (down 23.08%) and Derivative Assets (down 100%).



Financial Position (US\$ Billions) <sup>9</sup>	2019	2018	\$ Change	% Change
Opening Net Assets	32	33	(1)	-3%
Subscriptions	8	9	(1)	-11%
Redemptions	(11)	(9)	(2)	22%
Dividends / Distributions	(1)	(1)	0	0%
Net Income (Loss)	1	(1)	2	-200%
<b>Ending Net Assets</b>	<b>29</b>	<b>31</b>	<b>(2)</b>	<b>-6%</b>
<b>Total Assets</b>	<b>31</b>	<b>35</b>	<b>(4)</b>	<b>-11%</b>
<b>Gross Notional Exposure</b>	<b>29</b>	<b>31</b>	<b>(2)</b>	<b>-6%</b>

Asset Allocation	2019 Value (US\$ Billions)	2019 % Allocated	2018 Value (US\$ Billions)	2018 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	15	51.72%	15	48.40%	0	0.00%
Long Equities	2	6.90%	1	3.22%	1	100.00%
Long Bonds	10	34.48%	13	41.94%	(3)	-23.08%
Other Funds	1	3.45%	1	3.22%	0	0.00%
Derivative Assets	0	0.00%	1	3.22%	(1)	-100.00%
Other Financial Instruments Assets	1	3.45%	0	0.00%	1	0.00%
<b>Total Net Asset Value</b>	<b>29</b>	<b>100%</b>	<b>31</b>	<b>100%</b>	<b>(2)</b>	<b>-6%</b>

<sup>9</sup> The increase from the 2018 ending net assets to the 2019 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2019, resulting in a different set of funds filing a 2019 FAR when compared to 2018.

# Statistical Trend Analysis

## PORTFOLIO INVESTMENTS BY JURISDICTION

On a bi-annual basis, CIMA reports the jurisdiction of the issuer of securities held by funds, insurance, and banks to the International Monetary Fund in the form of a Coordinated Portfolio Investment Survey. Most securities held by Cayman funds are issued by the United States capital markets and master funds registered in the Cayman Islands. The investment in Cayman Master Funds decreased by US\$208 billion and in US Master Funds by US\$22 billion over the prior year. Even though there was a rebound in the stock market in 2019, equity investments were down in many jurisdictions except China which saw an increase of US\$18 billion. Portfolio assets issued by the UK were down 26% and 45% in Germany. With continued monetary easing, flexible fiscal policy and growth strategy

which formed the three arrows of Abenomics, total portfolio investments grew to US\$106 billion from US\$87 billion in 2018 in Japan. Demand for Japan equity ETFs was also bolstered since 2013 by the Bank of Japan's asset purchase program.

Figure 9 (a)

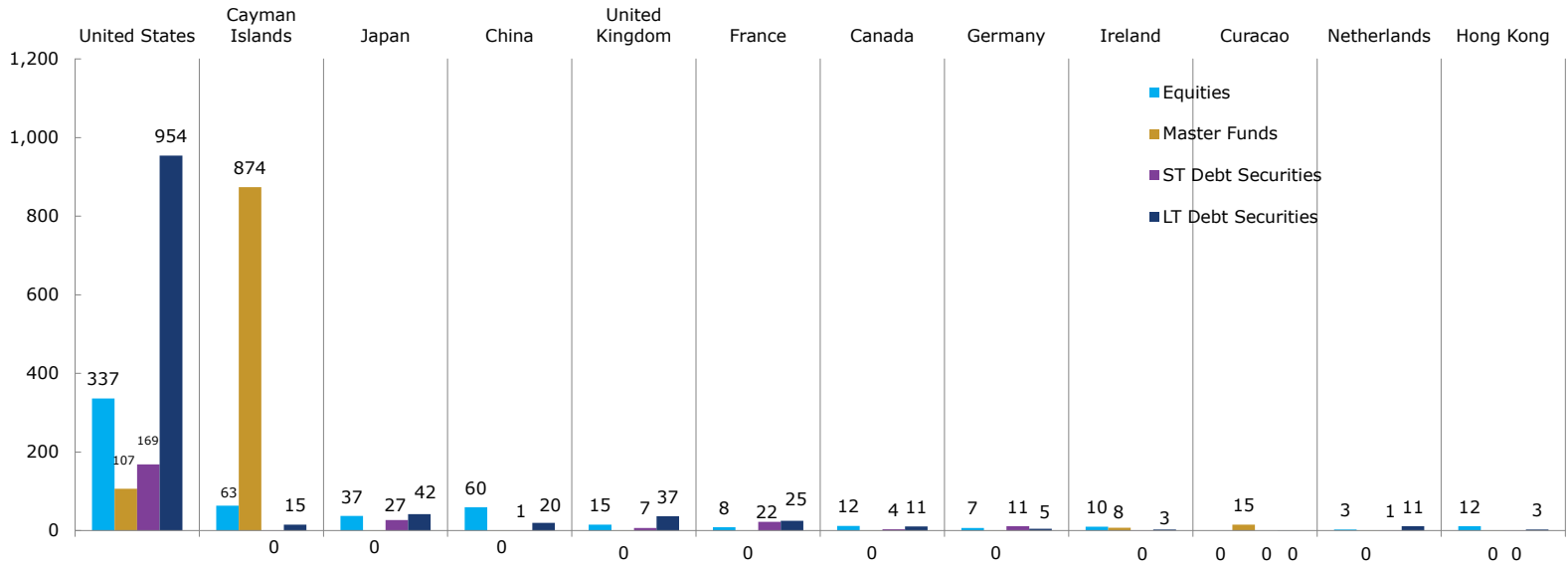
Jurisdiction of Issuer (Amounts in US\$ Billions)	Total Portfolio Assets		Equities		Master Funds		ST Debt Securities		LT Debt Securities	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
United States	1,567	1,611	337	375	107	129	169	179	954	928
Cayman Islands	952	1,189	63	81	874	1,082	0	0	15	25
Japan	106	87	37	43	0	1	27	23	42	20
China	81	58	60	42	0	0	1	2	20	15
United Kingdom	59	80	15	20	0	0	7	8	37	52
France	55	58	8	8	0	0	22	27	25	23
Canada	27	25	12	10	0	0	4	2	11	13
Germany	23	42	7	11	0	0	11	11	5	20
Ireland	21	32	10	11	8	16	0	1	3	4
Curacao	15	23	0	0	15	23	0	0	0	0
Netherlands	15	20	3	3	0	0	1	3	11	13
Hong Kong	15	20	12	15	0	0	0	0	3	5
British Virgin Islands	3	8	0	4	2	3	0	0	1	2
Sweden	3	8	1	3	0	0	0	0	2	6
Denmark	1	2	1	0	0	0	0	0	0	2
Other Developed Countries	146	110	17	20	9	9	23	20	97	61
Developing Asia and the Pacific	20	27	15	19	0	0	0	1	5	8
Other Offshore Centres	18	19	11	12	6	4	0	0	1	2
Developing Latin America and the Caribbean	19	21	9	8	1	0	0	1	9	12
Developing Europe	11	8	3	3	1	0	0	0	7	5
Developing Africa and the Middle East	10	9	3	4	0	0	0	0	7	5
<b>Total</b>	<b>3,167</b>	<b>3,458</b>	<b>624</b>	<b>692</b>	<b>1,023</b>	<b>1,267</b>	<b>265</b>	<b>278</b>	<b>1,255</b>	<b>1,221</b>



# Statistical Trend Analysis

## PORTFOLIO INVESTMENTS BY JURISDICTION (CONTINUED)

Figure 9 (b)



# Statistical Trend Analysis

## PORTFOLIO INVESTMENTS BY JURISDICTION SHORT POSITIONS

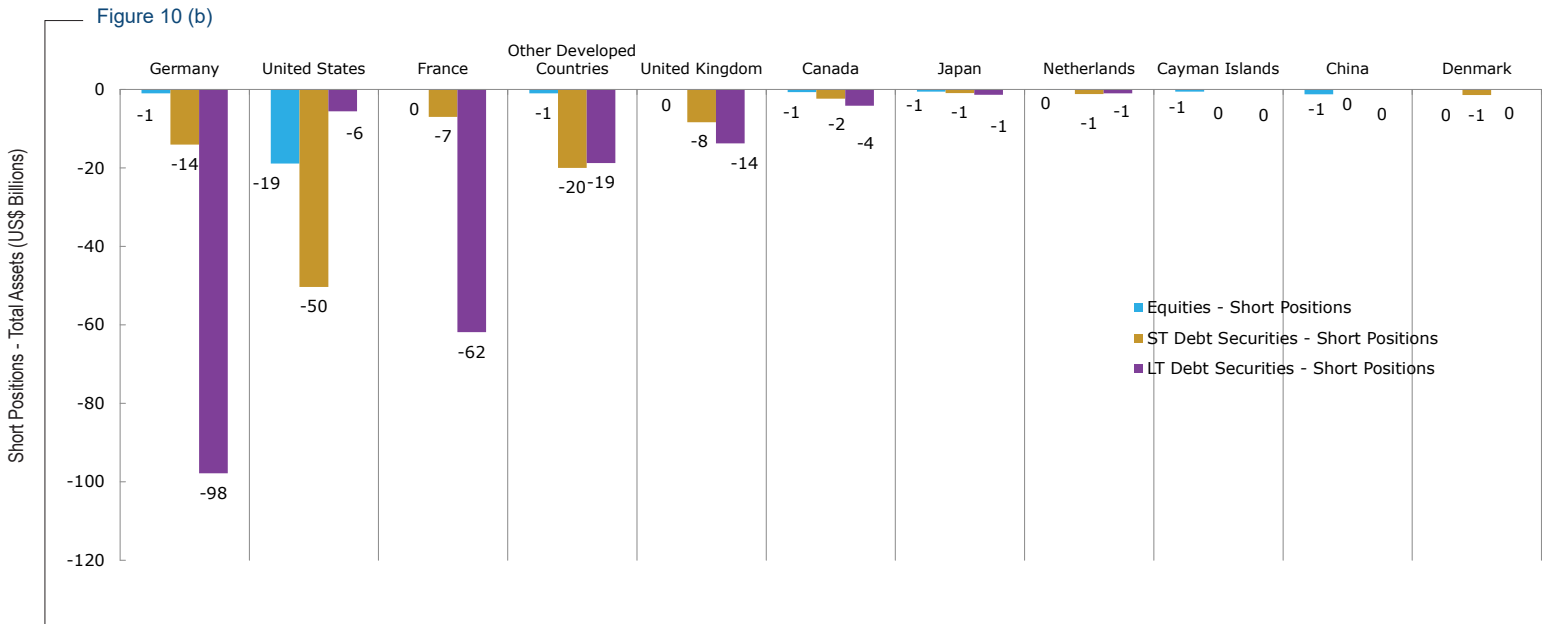
Short positions issued in Germany decreased by US\$37 billion or 25% but Germany still accounted for the jurisdiction with most securities sold short. There was a decrease of US\$48 billion or 87% of Canadian and US\$62 billion or 45% of United States short securities held by Cayman funds in 2019. However, short securities issued in France grew by US\$11 billion or 19%.

Figure 10 (a)

Jurisdiction of Issuer (Amounts in US\$ Billions)	Total Portfolio Assets - Short Positions		Equities - Short Positions		ST Debt Securities - Short Positions		LT Debt Securities - Short Positions	
	2019	2018	2019	2018	2019	2018	2019	2018
Germany	-113	-150	-1	-1	-14	-8	-98	-141
United States	-75	-138	-19	-15	-50	-91	-6	-32
France	-69	-58	0	0	-7	-8	-62	-50
Other Developed Countries	-40	-57	-1	-1	-20	-14	-19	-42
United Kingdom	-22	-31	0	0	-8	-12	-14	-19
Canada	-7	-55	-1	-50	-2	-3	-4	-2
Japan	-3	-6	-1	-3	-1	-1	-1	-2
Netherlands	-2	-2	0	0	-1	-1	-1	-1
Cayman Islands	-1	-1	-1	-1	0	0	0	0
China	-1	-4	-1	-4	0	0	0	0
Denmark	-1	0	0	0	-1	0	0	0
Ireland	-1	0	-1	0	0	0	0	0
Sweden	0	0	0	0	0	0	0	0
Hong Kong	0	-1	0	-1	0	0	0	0
Developing Latin America and the Caribbean	0	-1	0	0	0	-1	0	0
Developing Africa and the Middle East	-1	-1	0	0	-1	0	0	-1
Other Offshore Centres	0	0	0	0	0	0	0	0
Developing Asia and the Pacific	0	0	0	0	0	0	0	0
Developing Europe	0	0	0	0	0	0	0	0
<b>Total</b>	<b>-336</b>	<b>-504</b>	<b>-26</b>	<b>-75</b>	<b>-105</b>	<b>-139</b>	<b>-205</b>	<b>-290</b>

# Statistical Trend Analysis

## PORTFOLIO INVESTMENTS BY JURISDICTION SHORT POSITIONS (CONTINUED)



# Statistical Stand-Alone Analysis

## LEGAL HOLDER OF FUNDS

Figure 11 below provides the 105 jurisdictions where the mutual fund investor holds more than 10% of the net asset value (NAV) of the fund.<sup>10</sup> The top 5 jurisdictions meeting this criteria are the United States, Cayman Islands, Japan, United Kingdom and Switzerland. For the 2019 reporting, investors from Taiwan, Providence of China are now reported with China.

Figure 11

Jurisdiction	Number of funds with holder owning more than 10% of the Fund		Jurisdiction	Number of funds with holder owning more than 10% of the Fund	
	2019	2018		2019	2018
United States	3774	3981	Samoa	9	11
Cayman Islands	3536	3666	Argentina	8	7
Japan	1161	1195	Portugal	8	7
United Kingdom	808	884	Turks and Caicos Islands	7	3
Switzerland	789	843	Russian Federation	6	7
Hong Kong	722	732	Saint Kitts and Nevis	6	6
Luxembourg	573	574	Spain	6	6
British Virgin Islands	505	492	Gibraltar	5	6
China	451	367	Libyan Arab Jamahiriya	5	5
Singapore	324	292	Macao	5	5
Canada	316	320	Seychelles	5	3
Ireland	279	270	Marshall Islands	4	5
Guernsey	265	305	Oman	4	5
Brazil	206	172	Philippines	4	1
Australia	155	164	Uruguay	4	5
Bermuda	134	133	Anguilla	3	4
Jersey	111	110	Belize	3	5
Netherlands	108	101	Egypt	3	4
Bahamas	105	126	Greece	3	6
United Arab Emirates	75	72	Macao	3	0
Israel	69	71	Trinidad and Tobago	3	3
Malta	48	52	Venezuela	3	2
Liechtenstein	46	66	Botswana	2	3
Sweden	46	44	Brunei	2	2
Belgium	45	49	Colombia	2	3
Finland	45	46	Costa Rica	2	3
Curacao	44	49	Czech Republic	2	0
Saudi Arabia	41	48	Dominica Republic	2	2
Germany	38	34	El Salvador	2	0
Kuwait	35	39	Iceland	2	2
Isle of Man	33	39	Jordan	2	1
South Korea	31	31	Poland	2	0
France	28	35	Turkey	2	4
Cyprus	26	24	Swaziland	2	8
Panama	25	30	Angola	1	0
Malaysia	24	28	Bhutan	1	0
South Africa	23	28	Bulgaria	1	1
Bahrain	22	26	Channel Islands	1	1
Barbados	21	15	Christmas Island	1	0
New Zealand	19	16	Cook Islands	1	1
Andorra	18	19	Djibouti	1	0
Denmark	17	17	Grenada	1	1
Thailand	16	17	Kenya	1	1
Austria	15	12	Latvia	1	0
Italy	15	10	Liberia	1	2
Mexico	15	15	Morocco	1	0
U.S. Virgin Islands	14	16	Peru	1	0
India	12	15	Puerto Rico	1	2
Monaco	12	14	Slovenia	1	2
Qatar	12	15	Sri Lanka	1	1
Mauritius	11	14	Ecuador	0	1
Norway	11	9	Nigeria	0	2
Chile	10	10	Saint Lucia	0	2
Lebanon	9	13	Saint Vincent and the Grenadines	0	1
Indonesia	9	7	Taiwan, Province of China	0	62
			Vanuatu	0	1

<sup>10</sup> 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.

# Statistical Trend Analysis

## INVESTMENT STRATEGY

The top four investment strategies - Multi-Strategy, Long/Short Equity, Fixed Income and Global Macro were unchanged from 2018. There were increases in ending net assets of US\$30 billion or 3.25% for Multi-Strategy, US\$104 billion or 14.89% for Long/Short Equity, US\$119 billion or 26.56% for Fixed Income and US\$19 billion or 5.65% for Global Macro between 2018 and 2019. Investments in Master Funds and Fund of Funds saw declines of 71.43% and 76% year over year as investors moved towards more passive investment strategies and products such as Exchange Traded Funds.

According to the 2020 Investment Company Fact Book, 46% of global regulated funds were mixed/other funds; equity funds accounted for 34%, bond funds for 18%, and money market funds for 2% in 2019. In the US, investment companies held 32% of US-issued equities outstanding, 21% of bonds issued by US corporations and foreign bonds held by US residents, 14% of US Treasury

and government agency securities and 29% of US municipal securities.

Mutual fund managers have embraced increased investor interest in environmental, social and governance (ESG) by offering new funds that explicitly tailor their investments to specific ESG criteria such as climate change, diversity and inclusion, human rights, the rights of company shareholders, and companies' compensation structures. As a result, total investment in activism grew from US\$23 billion to US\$56 billion an increase of 143.48% over 2018. Multi-Strategy in which funds aim to deliver consistently strong returns despite the directional movement in equity, interest rates or currency markets continue to account for the majority or about 23% of total investment allocation. Long/Short equity funds focus on taking advantage of undervaluation or overvaluation across several industries by taking varying long and short stock exposures and represent 19% of ending NAV.

Investment Strategy	2019 Net Assets (US\$ Billions)	2019 % Allocated <sup>11</sup>	2018 Net Assets (US\$ Billions)	2018 % Allocated <sup>11</sup>	\$ Change <sup>12</sup> (US\$ Billions)	% Change
Multi-Strategy	953	22.54%	923	23.57%	30	3.25%
Long/Short Equity	802	18.97%	698	17.82%	104	14.89%
Fixed Income	567	13.41%	448	11.45%	119	26.56%
Global Macro	355	8.39%	336	8.58%	19	5.65%
Equity Long Only	146	3.45%	107	2.73%	39	36.45%
Event Driven	104	2.46%	109	2.78%	(5)	-4.59%
Relative Value	104	2.46%	104	2.65%	0	0.00%
Distressed Securities	81	1.92%	86	2.19%	(5)	-5.82%
Statistical Arbitrage	78	1.84%	72	1.84%	6	8.33%
Emerging Markets	63	1.49%	69	1.77%	(6)	-8.70%
Investment in Master Funds	60	1.42%	210	5.36%	(150)	-71.43%
Fixed Income Arbitrage	59	1.40%	65	1.66%	(6)	-9.23%
Activism	56	1.32%	23	0.59%	33	143.48%
Mortgage-backed security	51	1.21%	74	1.89%	(23)	-31.08%
Long-only absolute return	47	1.11%	44	1.12%	3	6.82%
Fund of Funds	36	0.85%	150	3.84%	(114)	-76.00%
Equity Hedged	31	0.73%	31	0.79%	0	0.00%
<b>Total</b>	<b>3,593</b>	<b>84.97%</b>	<b>3,549</b>	<b>90.63%</b>	<b>44</b>	<b>1.24%</b>

<sup>11</sup> The percentage of total net assets allocated to the investment strategy during the year specified.

<sup>12</sup> The change in net assets allocated to an investment strategy from 2019 compared to 2018.

# Statistical Trend Analysis

## INVESTMENT STRATEGY (CONTINUED)

Figure 12

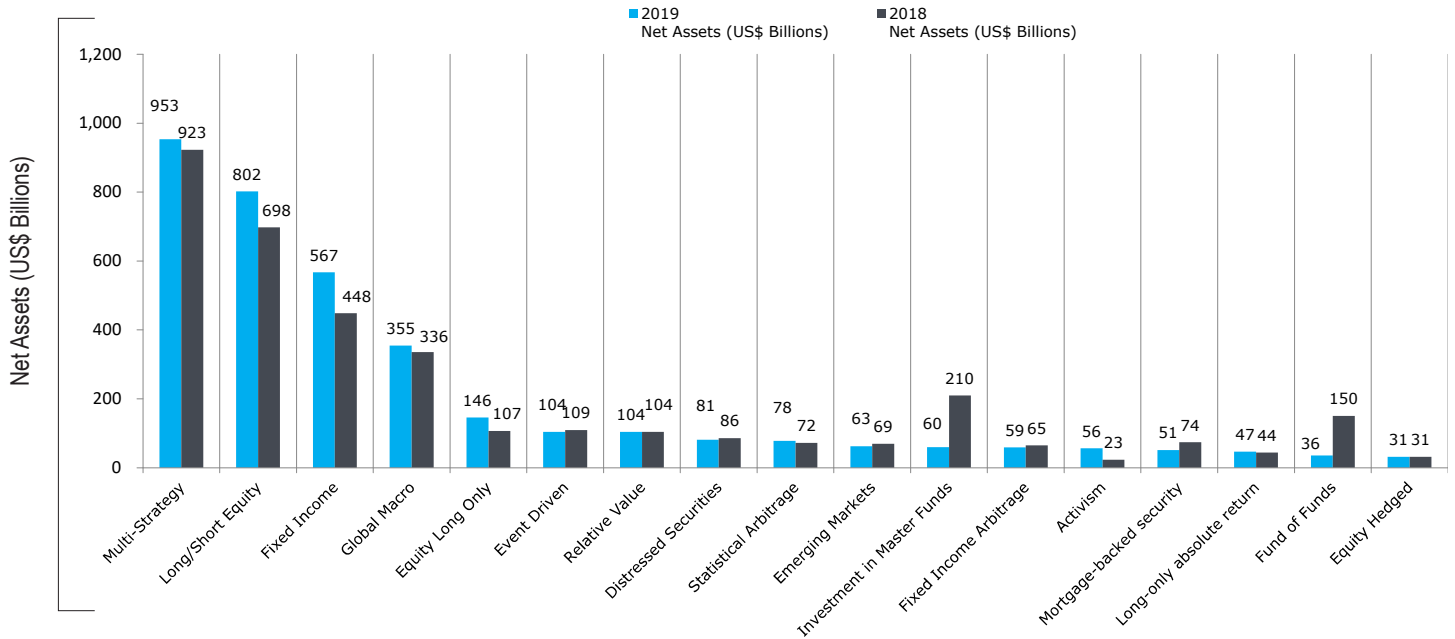
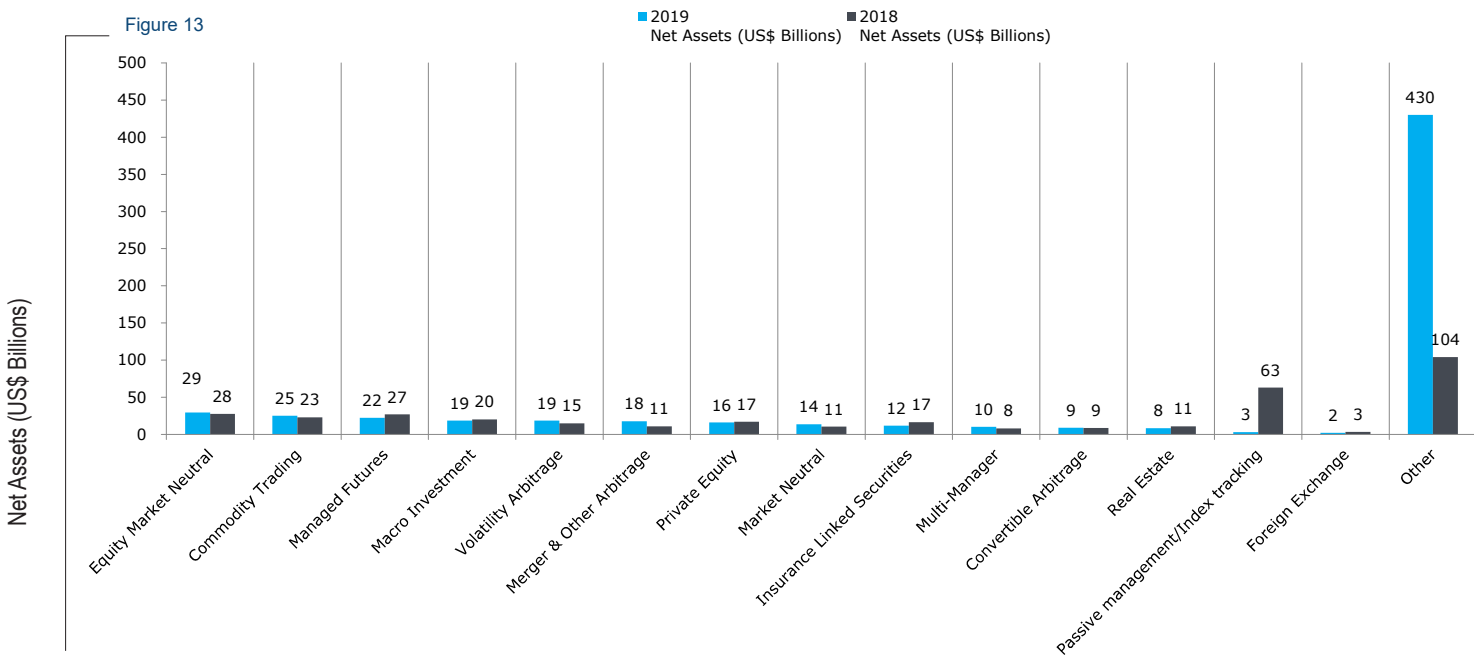


Figure 13





# Statistical Trend Analysis

## INVESTMENT STRATEGY (CONTINUED)

Investments in Insurance Linked Securities, broadly defined as financial instruments whose values are driven by insurance loss events such as hurricanes, floods and cyber-attacks, were down US\$5 billion or 29% reversing the 10% growth between 2017 and 2018. The decline was partly due to investor sentiments which were affected by the record losses experienced by the insurance industry in 2017 and 2018 but over the longer investment period, investors should still see attractive returns. Arbitrage funds are hybrid funds that invest in equity shares and the futures market but generate returns that are in line with short-term debt funds. Contrary to the image that their name conjures up—a fund that invests in the risky derivatives market and earns high returns—they are low-risk, and their returns reflect short-term interest rates in the market. Arbitrage funds, which create positions to exploit the arbitrage opportunities available in the market and are used by investors to park short-term money that would have otherwise been held in liquid funds or ultra-short-term funds, reported increases in Volatility Arbitrage up 26.66% and Merger & Other Arbitrage up 63.63% compared to 2018.

Investment Strategy	2019 Net Assets (US\$ Billions)	2019 % Allocated <sup>13</sup>	2018 Net Assets (US\$ Billions)	2018 % Allocated <sup>13</sup>	\$ Change <sup>14</sup> (US\$ Billions)	% Change
Equity Market Neutral	29	0.69%	28	0.71%	1	3.57%
Commodity Trading	25	0.59%	23	0.59%	2	8.69%
Managed Futures	22	0.52%	27	0.69%	(5)	-18.52%
Macro Investment	19	0.44%	20	0.51%	(1)	-5.00%
Volatility Arbitrage	19	0.44%	15	0.39%	4	26.66%
Merger & Other Arbitrage	18	0.42%	11	0.28%	7	63.63%
Private Equity	16	0.38%	17	0.44%	(1)	-5.88%
Market Neutral	14	0.33%	11	0.28%	3	27.27%
Insurance Linked Securities	12	0.28%	17	0.42%	(5)	-29.41%
Multi-Manager	10	0.24%	8	0.21%	2	25.00%
Convertible Arbitrage	9	0.21%	9	0.22%	0	0.0%
Real Estate	8	0.20%	11	0.28%	(3)	-27.27%
Passive management/Index tracking	3	0.07%	63	1.61%	(60)	-95.23%
Foreign Exchange	2	0.05%	3	0.08%	(1)	-33.33%
Other	430	10.17%	104	2.66%	326	313.46%
<b>Total</b>	<b>636</b>	<b>15.03%</b>	<b>367</b>	<b>9.37%</b>	<b>269</b>	<b>73.51%</b>
<b>Table from Figure 12</b>	<b>3,593</b>	<b>84.97%</b>	<b>3,549</b>	<b>90.63%</b>	<b>44</b>	<b>1.24%</b>
<b>Total Net Asset Value</b>	<b>4,229</b>	<b>100.07%</b>	<b>3,916</b>	<b>100%</b>	<b>313</b>	<b>8.01%</b>

<sup>13</sup> The percentage of total net assets allocated to the investment strategy during the year specified.

<sup>14</sup> The change in net assets allocated to an investment strategy from 2019 compared to 2018.

# Statistical Trend Analysis

## SUBSCRIPTIONS, REDEMPTIONS AND NET ASSET FLOWS BY INVESTMENT STRATEGY

For the third consecutive year there was a net outflow of assets as redemptions of US\$1.03 trillion exceeded total subscriptions of US\$939 billion. Net outflows for Multi-Strategy was US\$74 billion (2018: US\$36 billion) and Global Macro US\$20 billion (2018: US\$11 billion). Conversely, there was a net inflow for Fixed Income of US\$51 billion in 2019 following an inflow of US\$39 billion in the prior year. Taxable bonds led the way in total net inflows followed by money market funds and municipal debt funds. Taxable bond funds benefited greatly from the Federal Reserve Board's change of view on interest rates from forecasting two interest rate hikes in 2019 to cutting rates in July, September and October but hit pause in December and signalled no interest rate cuts in 2020 despite the calls to boost the economy.

However, the Feds relented and cut rates to near zero in March 2020 and launched a massive US\$700 billion quantitative easing program to shelter the economy from the effects of the COVID-19 pandemic. In addition, the

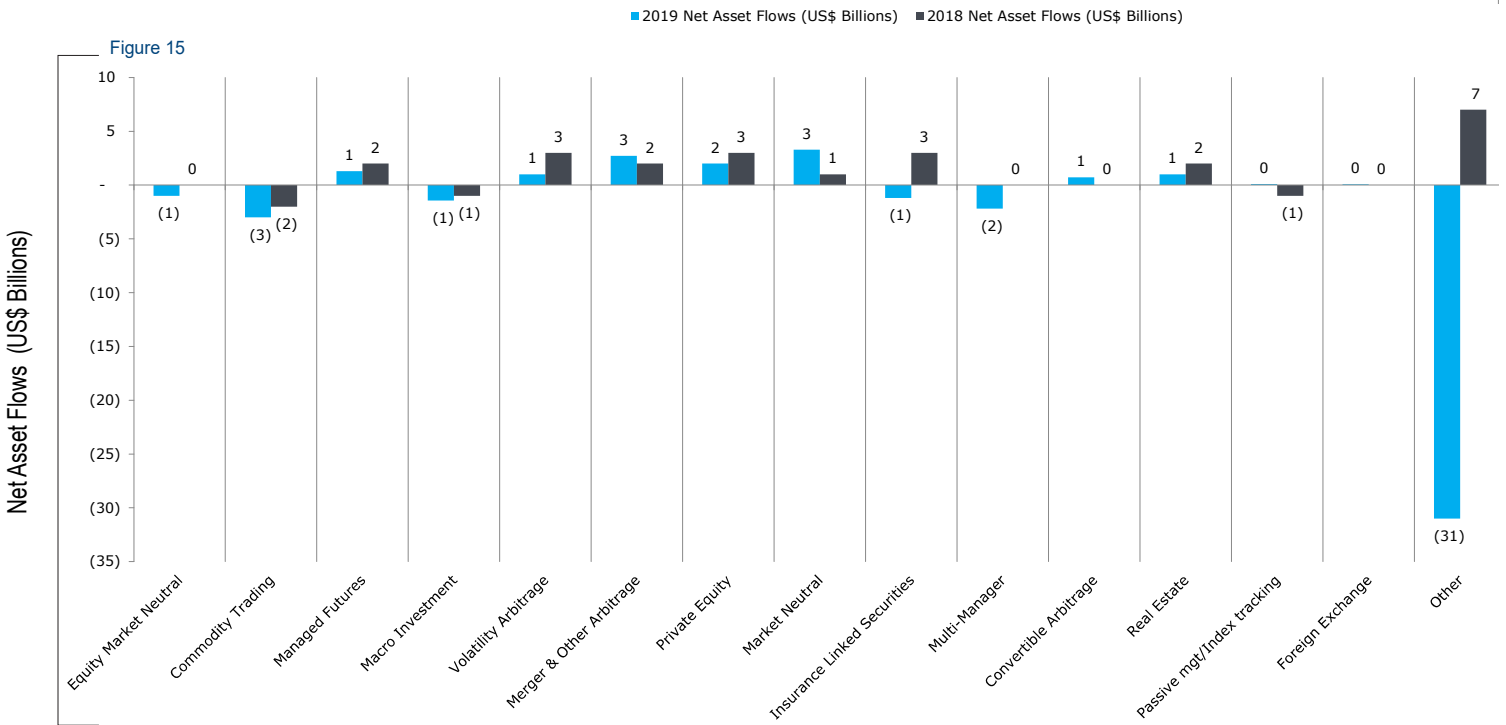
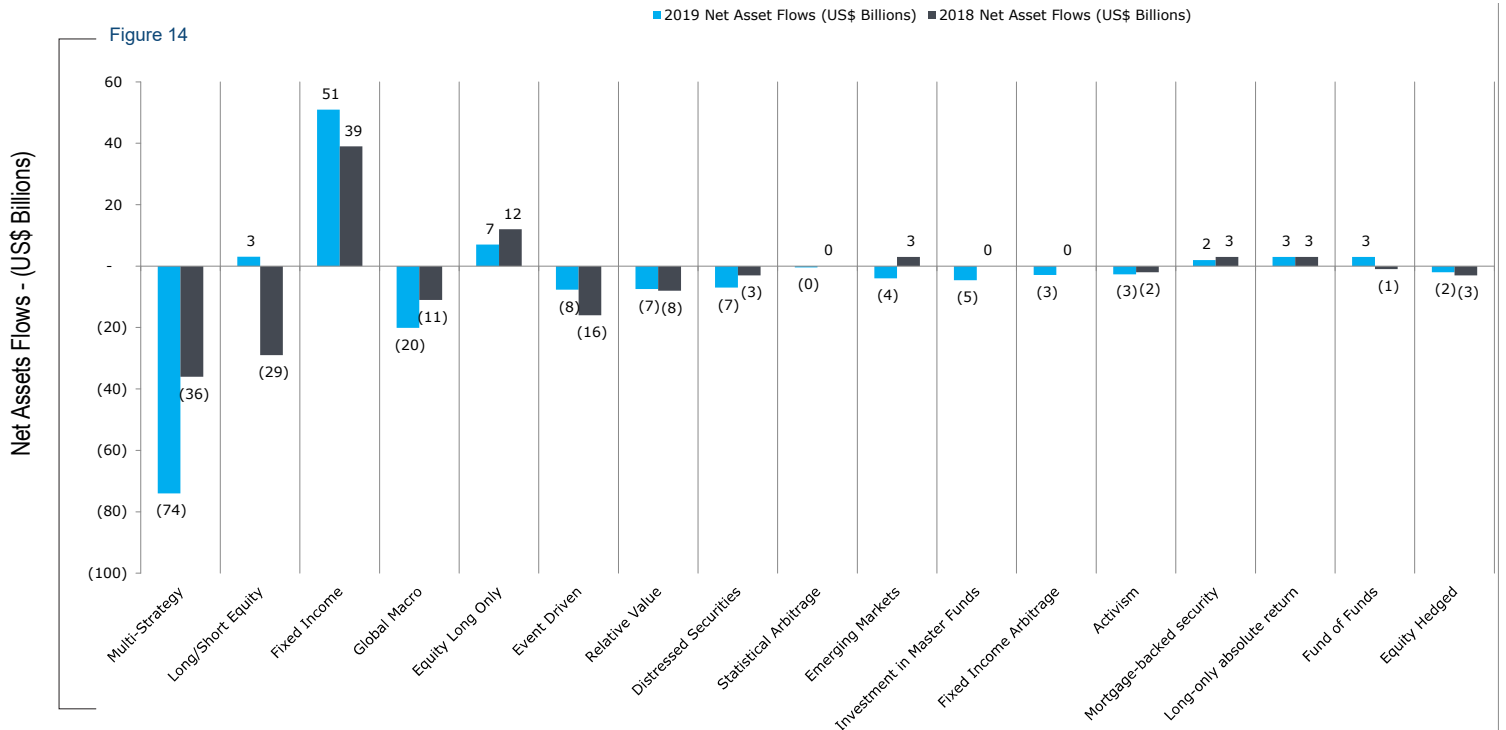
change in tax laws contributed to investor demand for muni debt funds in search of tax-exempt interest income.

New cash flows to equity mutual funds tend to rise and fall with returns on stocks and despite strong stock market performance around the globe during 2019, equity funds experienced net outflows. New cash flows to bond funds are correlated with the performance of US bonds which in turn is largely driven by the US interest rate environment. The historical outflow from equity funds into bonds and money market funds during 2019 can be attributed to aging demographics and investors desire for safety as they near retirement as well as uncertainty around US trade and tariffs. Over the past decade, aging baby boomers have shifted money to bonds and the decelerating US economic growth, trade and geopolitical uncertainty, and near-record high starting equity allocations have also contributed to the rotation from equities to bonds and cash.

Investment Strategy	2019 Subscriptions (US\$ Billions)	2019 Redemptions (US\$ Billions)	2019 Net Asset Flows (US\$ Billions)	2018 Subscriptions (US\$ Billions)	2018 Redemptions (US\$ Billions)	2018 Net Asset Flows (US\$ Billions)	Change in Net Asset Flows (US\$ Billions)
Multi-Strategy	157	(231)	(74)	199	(235)	(36)	(38)
Long-Short Equity	155	(152)	3	146	(175)	(29)	32
Fixed Income	209	(158)	51	211	(172)	39	12
Global Macro	65	(85)	(20)	79	(90)	(11)	(9)
Equity Long Only	31	(24)	7	37	(25)	12	(5)
Event Driven	26	(34)	(8)	33	(49)	(16)	8
Relative Value	21	(28)	(7)	16	(24)	(8)	1
Distressed Securities	10	(17)	(7)	16	(19)	(3)	(4)
Statistical Arbitrage	20	(20)	0	19	(19)	0	0
Emerging Markets	10	(14)	(4)	16	(13)	3	(7)
Investment in Master Funds	8	(13)	(5)	54	(54)	0	(5)
Fixed Income Arbitrage	11	(14)	(3)	17	(17)	0	(3)
Activism	5	(8)	(3)	3	(5)	(2)	(1)
Mortgage-backed security	13	(11)	2	12	(9)	3	(1)
Long-only absolute retrun	11	(8)	3	11	(8)	3	0
Fund of Funds	13	(10)	3	9	(10)	(1)	4
Equity Hedged	5	(7)	(2)	7	(10)	(3)	1
<b>Total</b>	<b>770</b>	<b>(834)</b>	<b>(64)</b>	<b>885</b>	<b>(934)</b>	<b>(49)</b>	<b>(15)</b>

# Statistical Trend Analysis

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



# Statistical Trend Analysis

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

Other investment strategies such as Equity Market Neutral, Macro Investment, Insurance Linked Securities reported net outflows of US\$1 billion while Managed Futures, Volatility and Convertible Arbitrage and Real Estate reported net inflows of US\$1 billion. Passive Management/Index tracking and Foreign Exchange reported nil net inflow/outflows during 2019 as subscriptions were the same as redemptions. Passive management is a style of management associated with mutual funds and exchange-traded funds (ETF) where a fund's portfolio mirrors a market index. Passive management is the opposite of active management in which the fund's managers attempt to beat the market with various investing strategies and buying/selling decisions of a portfolio's securities and is preferred by investors due to lower fees. Over the longer term passive management delivers better returns.

Merger and Other Arbitrage as well as Market Neutral strategies reported nominal net inflow of US\$3 billion while Commodity Trading net outflow was US\$3 billion and US\$2 billion for Multi-Manager. Merger arbitrage is an investment strategy that capitalizes on the spread between a company's current share price and the consideration paid for its acquisition in the context of an announced merger transaction. A market-neutral strategy is a form of hedging that aims to generate returns that are independent of the market's swings and uncorrelated with both stocks and bonds. Mutual fund managers employ this strategy in order to mitigate market risk while constructing a portfolio. Commodity funds invest in raw materials or primary agricultural products, known as commodities. These funds invest in precious metals, such as gold and silver, energy resources, such as oil and natural gas, and agricultural goods, such as wheat. Commodity funds may also invest in the companies that produce these commodities.

Investment Strategy	2019 Subscriptions (US\$ Billions)	2019 Redemptions (US\$ Billions)	2019 Net Asset Flows (US\$ Billions)	2018 Subscriptions (US\$ Billions)	2018 Redemptions (US\$ Billions)	2018 Net Asset Flows (US\$ Billions)	Change in Net Asset Flows (US\$ Billions)
Equity Market Neutral	5	(6)	(1)	10	(10)	0	(1)
Commodity Trading	6	(9)	(3)	8	(10)	(2)	(1)
Managed Futures	7	(6)	1	10	(8)	2	(1)
Macro Investment	7	(8)	(1)	8	(9)	(1)	0
Volatility Arbitrage	7	(6)	1	6	(3)	3	(2)
Merger & Other Arbitrage	5	(2)	3	4	(2)	2	1
Private Equity	2	0	2	3	0	3	(1)
Market Neutral	8	(5)	3	5	(4)	1	2
Insurance Linked Securities	2	(3)	(1)	6	(3)	3	(4)
Multi-Manager	3	(5)	(2)	3	(3)	0	(2)
Convertible Arbitrage	2	(1)	1	2	(2)	0	1
Real Estate	2	(1)	1	3	(1)	2	(1)
Passive mgt/Index tracking	2	(2)	0	2	(3)	(1)	1
Foreign Exchange	0	0	0	1	(1)	0	0
Other	111	(142)	(31)	93	(86)	7	(38)
<b>Total</b>	<b>169</b>	<b>(196)</b>	<b>(27)</b>	<b>164</b>	<b>(145)</b>	<b>19</b>	<b>(46)</b>
<b>Total from Figure 14</b>	<b>770</b>	<b>(834)</b>	<b>(64)</b>	<b>885</b>	<b>(934)</b>	<b>(49)</b>	<b>(15)</b>
<b>Grand Total</b>	<b>939</b>	<b>(1,030)</b>	<b>(91)</b>	<b>1,049</b>	<b>(1079)</b>	<b>(30)</b>	<b>(61)</b>

# Statistical Trend Analysis

## CHANGES IN NET ASSETS, DIVIDENDS & NET INCOME BY INVESTMENT STRATEGY

Ending net assets at the end of 2019 were US\$329 billion higher than opening net assets due to asset appreciation and higher net income earned despite net asset outflows of US\$91 billion during the year.

Worldwide, overall demand for mutual funds as measured by net new cash flow—new fund sales less redemptions plus net exchanges—strengthened considerably in 2019 with net inflows of US\$454 billion (2.6% of year-end 2018 total net assets) following net outflows of US\$187 billion in 2018. Money market funds received US\$553 billion in net inflows but long-term mutual funds experienced net outflows of US\$99 billion in 2019. Inflows to bond funds were more than offset by outflows from equity and hybrid funds of US\$362 billion (3.9% of year-end 2018 total net assets).<sup>15</sup> Financial markets worldwide experienced strong gains in 2019 despite a weakening in the global markets and a broad deceleration in economic activity.

Long/Short Equity securities saw the largest increase with ending net assets at yearend of US\$802 billion an increase of US\$153 billion over the beginning net asset amount of

US\$649 billion. Net income for this strategy type was US\$152 billion, one third of all income earned on Cayman funds in 2019, compared to a net loss of US\$27 billion in 2018. Despite the return to net income for Long/Short Equity securities from a loss the prior year, the return on Long/Short Equity funds in the US in 2019 was only 8.64% compared to returns of 22.3% on the Dow Jones Industrial Average, 28.9% on the S&P 500 and 32.5% on the Nasdaq.

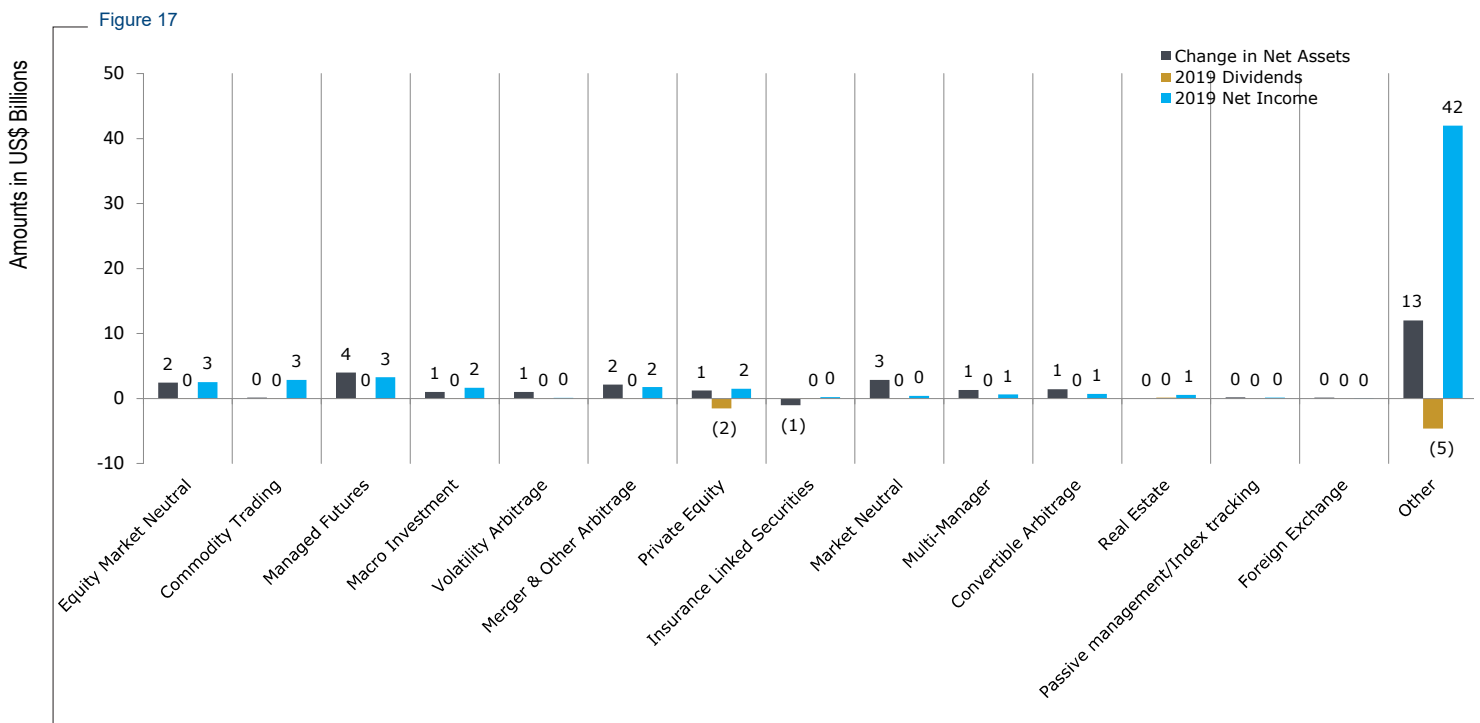
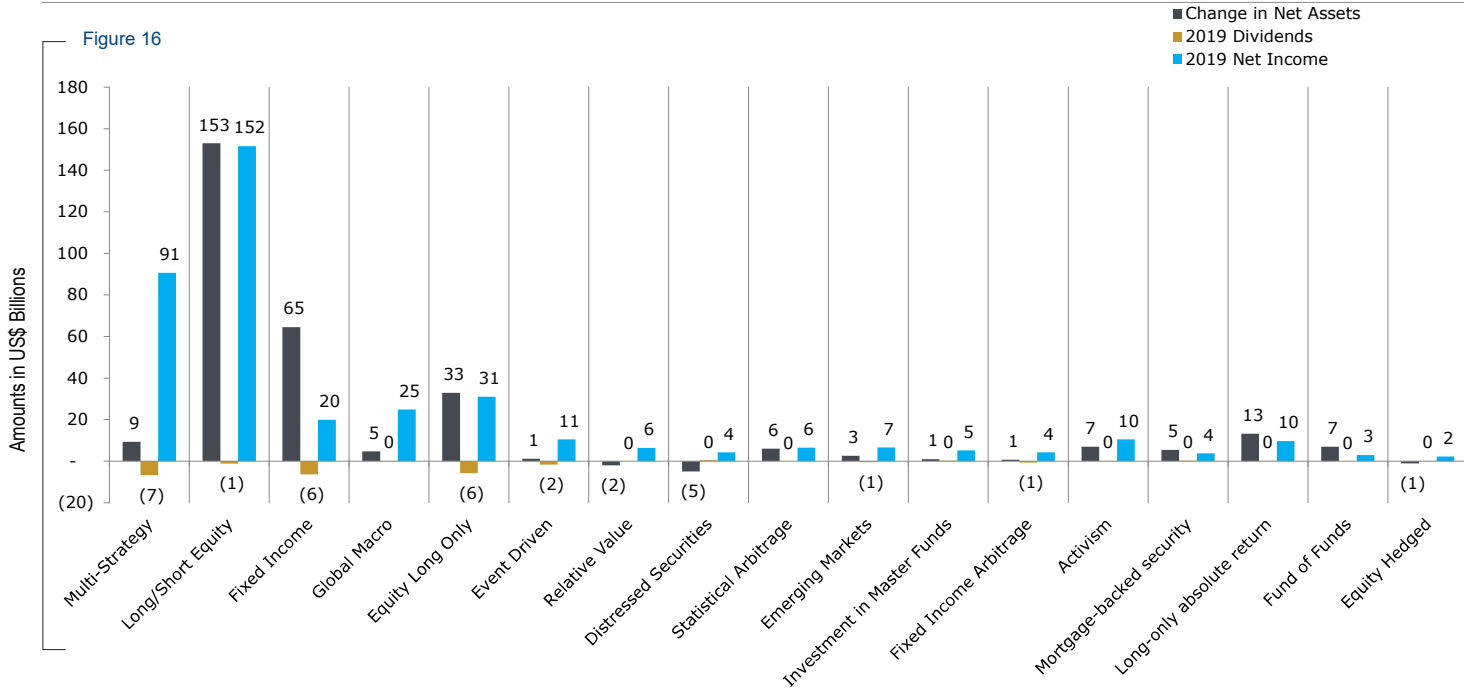
All investment strategies for Cayman funds reported net income in 2019 compared to losses in most categories in 2018 with Net Income of US\$91 billion for Multi-Strategy, US\$31 billion for Equity Long Only funds, US\$25 billion for Global Macro and US\$20 billion for Fixed Income. The biggest improvement in net income was Long/Short Equity (up US\$179 billion) and Multi-Strategy (up US\$106 billion) reversing losses for both in the prior year. Only two categories underperformed in 2019 when compared to 2018 - Statistical Arbitrage income was down US\$2 billion and Volatility Arbitrage income was down US\$1 billion.

Investment Strategy (Amounts in US\$ billions)	2019 Opening Net Assets	2019 Ending Net Assets	2019 Change in Net Assets	2019 Dividends	2018 Dividends	2019 Net Income	2018 Net Income/ (Net Loss)
Multi-Strategy	944	953	9	(7)	(5)	91	(15)
Long/Short Equity	649	802	153	(1)	(5)	152	(27)
Fixed Income	502	567	65	(6)	(5)	20	0
Global Macro	350	355	5	0	0	25	17
Equity Long Only	113	146	33	(6)	(2)	31	(8)
Event Driven	103	104	1	(2)	0	11	0
Relative Value	106	104	(2)	0	0	6	4
Distressed Securities	86	81	(5)	0	(1)	4	2
Statistical Arbitrage	72	78	6	0	0	6	9
Emerging Markets	60	63	3	(1)	0	7	(4)
Investment in Master Funds	59	60	1	0	(1)	5	(3)
Fixed Income Arbitrage	58	59	1	(1)	(1)	4	1
Activism	49	56	7	0	0	10	(2)
Mortgage-backed security	46	51	5	0	0	4	2
Long-only absolute return	34	47	13	0	0	10	(2)
Fund of Funds	29	36	7	0	(6)	3	2
Equity Hedged	32	31	(1)	0	0	2	1
<b>Total</b>	<b>3,292</b>	<b>3,593</b>	<b>301</b>	<b>(24)</b>	<b>(26)</b>	<b>391</b>	<b>(23)</b>

<sup>15</sup> 60<sup>th</sup> edition Investment Company Fact Book

# Statistical Trend Analysis

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





# Statistical Trend Analysis

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

Ending net asset value (NAV) of Managed Futures, where a portfolio of futures contracts is actively managed by professionals, were US\$22 billion in 2019 compared to US\$27 billion in 2018 and reported Net Income of US\$3 billion compared to a Net Loss of US\$2 billion the prior year. Managed Futures which are considered an alternative investment and are often used by funds and institutional investors to provide both portfolio and market diversification are waning in popularity as investment managers introduce private equity and passive investment/index tracking into their portfolios. Despite Net Income of US\$451 billion in 2019, dividends of US\$31 billion were down US\$5 billion from 2018 when total losses were US\$30 billion.

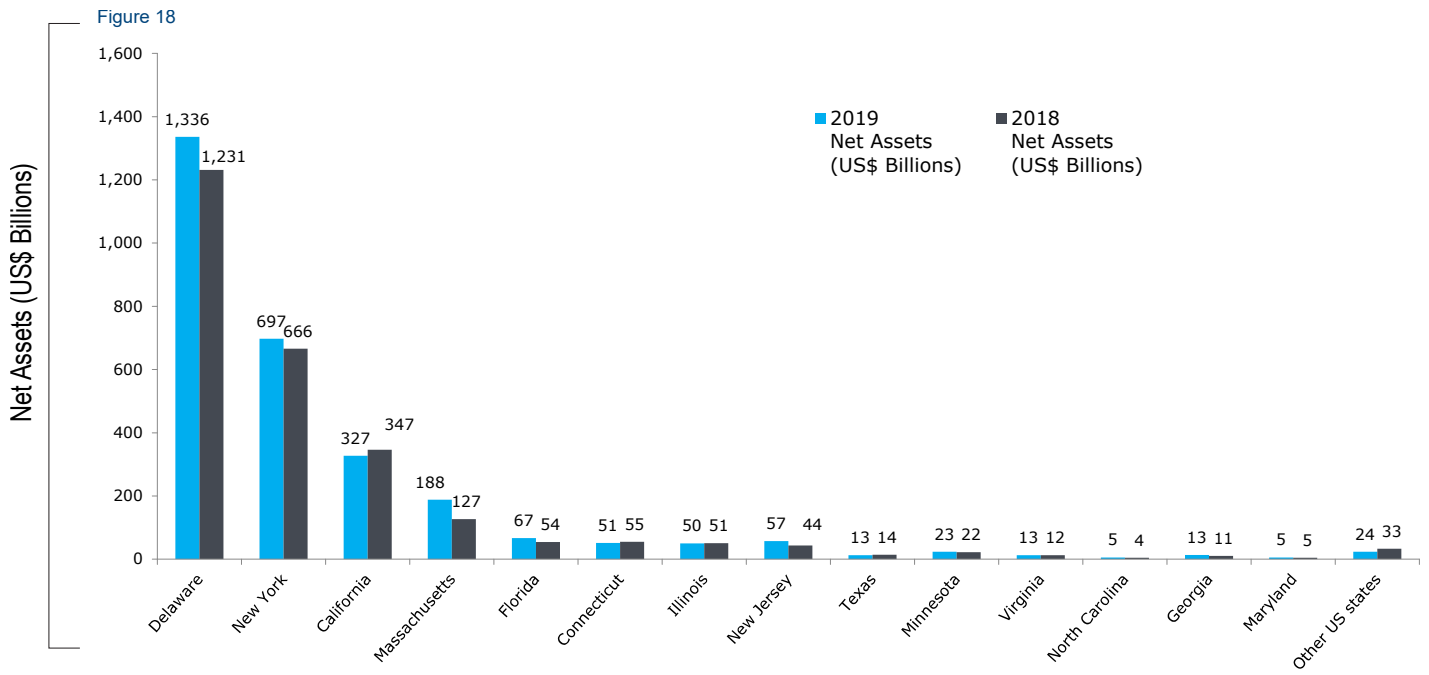
Most of the income was earned on Long/Short Equity strategies as investment managers took advantage of profit opportunities of under-valued and over-valued stocks and reported unrealised appreciation on equities as well as realised gains from the sale of stocks. There were 26 funds with Long/Short strategy that reported net income of more than US\$1 billion and 110 funds with net income of more than US\$250 million. The investment manager for many of the funds with income more than US\$250 million were the United States (75), the United Kingdom (15) and the Cayman Islands (13).

Investment Strategy (Amounts in US\$ billions)	2019 Opening Net Assets	2019 Ending Net Assets	2019 Change in Net Assets	2019 Dividends	2018 Dividends	2019 Net Income	2018 Net Income/ (Net Loss)
Equity Market Neutral	27	29	2	0	0	3	0
Commodity Trading	25	25	0	0	0	3	0
Managed Futures	18	22	4	0	0	3	(2)
Macro Investment	18	19	1	0	0	2	0
Volatility Arbitrage	18	19	1	0	0	0	1
Merger & Other Arbitrage	16	18	2	0	0	2	1
Private Equity	15	16	1	(2)	(3)	2	1
Insurance Linked Securities	13	12	(1)	0	(1)	0	(1)
Market Neutral	11	14	3	0	0	0	0
Multi-Manager	9	10	1	0	0	1	1
Convertible Arbitrage	8	9	1	0	0	1	0
Real Estate	8	8	0	0	0	1	1
Passive management/ Index tracking	3	3	0	0	0	0	0
Foreign Exchange	2	2	0	0	0	0	0
Other	417	430	13	(5)	(6)	42	(9)
<b>Total</b>	<b>608</b>	<b>636</b>	<b>28</b>	<b>(7)</b>	<b>(10)</b>	<b>60</b>	<b>(7)</b>
<b>Total from Figure 16</b>	<b>3,292</b>	<b>3,593</b>	<b>301</b>	<b>(24)</b>	<b>(26)</b>	<b>391</b>	<b>(23)</b>
<b>Grand Total</b>	<b>3,900</b>	<b>4,229</b>	<b>329</b>	<b>(31)</b>	<b>(36)</b>	<b>451</b>	<b>(30)</b>

# Statistical Trend Analysis

## NET ASSETS BY INVESTMENT MANAGER LOCATION - USA

Over half of the funds filing a FAR in 2019 reported an investment manager based in the United States. The number of funds managed by US companies were down 314 but the ending NAV was up US\$193 billion when compared to 2018. Firms in Delaware and New York manage 3,229 funds (2018: 3,425) with ending NAV of US\$2.033 trillion (2018: US\$1.897 trillion), an increase in NAV despite 196 fewer funds. A decrease in the number of funds managed was also reported for California, Connecticut, and Illinois with growth in Florida, North Carolina, and Georgia. There were 43 fewer funds managed by companies in California and ending NAV was down US\$20 billion. After Delaware, where NAV of funds were up US\$105 billion, the ending NAV of funds managed in Massachusetts was up US\$61 billion.



Investment Manager Location	2019 Number of Funds	2019 Net Assets (US\$ Billions)	2019 % Allocated	2018 Number of Funds	2018 Net Assets (US\$ Billions)	2018 % Allocated	Change (US\$ Billions)	% Change
Delaware	1,995	1,336	31.58%	2,114	1,231	31.44%	105	8.53%
New York	1,234	697	16.49%	1,311	666	17.00%	31	4.66%
California	422	327	7.74%	465	347	8.86%	(20)	-5.77%
Massachusetts	187	188	4.44%	177	127	3.23%	61	48.38%
Florida	142	67	1.58%	118	54	1.38%	13	23.97%
Connecticut	135	51	1.22%	179	55	1.41%	(4)	-7.01%
Illinois	132	50	1.19%	166	51	1.30%	(1)	-1.61%
New Jersey	81	57	1.36%	79	44	1.11%	13	29.86%
Texas	55	13	0.30%	63	14	0.37%	(1)	-6.95%
Minnesota	37	23	0.55%	43	22	0.57%	1	4.71%
Virginia	28	13	0.30%	29	12	0.32%	1	8.00%
North Carolina	28	5	0.13%	8	4	0.11%	1	25.85%
Georgia	20	13	0.32%	3	11	0.28%	2	18.57%
Maryland	10	5	0.13%	8	5	0.12%	0	0.00%
Other US states	151	24	0.57%	208	33	0.84%	(9)	-27.47%
<b>Total US</b>	<b>4,657</b>	<b>2,869</b>	<b>67.90%</b>	<b>4,971</b>	<b>2,676</b>	<b>68.34%</b>	<b>193</b>	

# Statistical Trend Analysis

## NET ASSETS BY INVESTMENT MANAGER LOCATION - OTHER

Based on the FAR submissions in 2019, there were 1,021 funds with a Cayman Islands based investment manager with ending NAV of US\$270 billion. This was down from 1,434 funds and ending NAV of US\$300 billion in 2018. The number of investment managers in the United Kingdom remained stable at 946 (2018: 933) and ending NAV of US\$443 billion (2018: US\$401 billion). Investment managers in Hong Kong increased from 445 to 724 funds with ending NAV at US\$137 billion a growth of US\$61 billion or 80.76% over 2018. This may be in anticipation of new mutual fund legislation and regulation introduced in 2010 in which funds in the Cayman Islands or elsewhere being operationally managed from Hong Kong may re-domicile to Hong Kong.

Investment Managers, which are a person or organization that make investments in portfolios of securities on behalf of investors under the investment objectives and parameters of the fund, earned US\$22 billion in

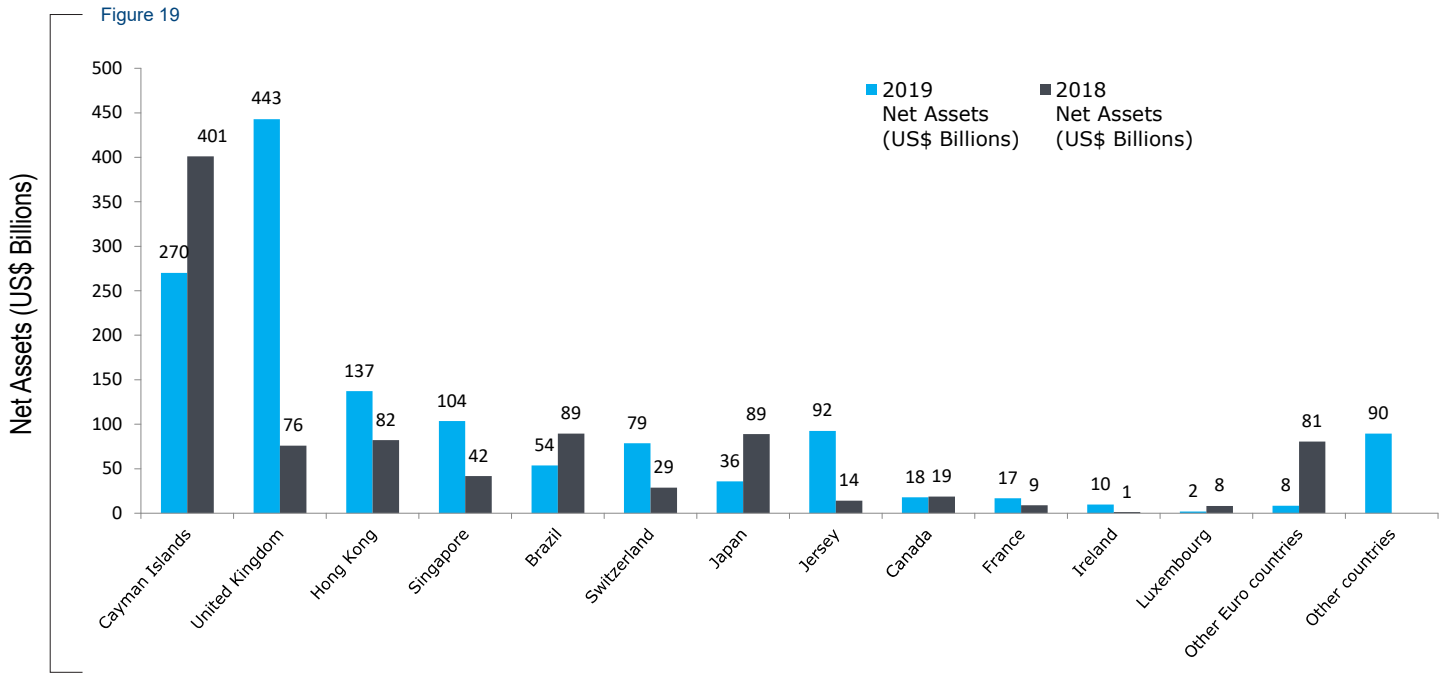
performance fees and US\$23 billion in management fees in an successful 2019.

However, challenges persist as investment management is in a period of rapid change, driven by shifting investor preferences, margin compression, regulatory developments, and advancing technologies. Investment managers must now connect their technology dots in ways that unlock agility, efficiency, and value. The use of cloud technology will become even more important to deliver on investors' expectations of lower fees and more investment choices. Investment managers will continue to see increasing regulatory oversight particularly related to systemic risk and investor protection, such as leverage and costs as well as non-financial concerns such as diversity within company boards, greater disclosure on their funds' ESG impacts and management of an industry that continues to grow and is becoming increasingly digital.

Investment Manager Location	2019 Number of Funds	2019 Net Assets (US\$ Billions)	2019 % Allocated	2018 Number of Funds	2018 Net Assets (US\$ Billions)	2018 % Allocated	Change (US\$ Billions)	% Change
Cayman Islands	1,021	270	6.39%	1,434	300	7.66%	(30)	-10.00%
United Kingdom	946	443	10.47%	933	401	10.24%	42	10.48%
Hong Kong	724	137	3.24%	445	76	1.94%	61	80.26%
Singapore	407	104	2.45%	377	82	2.09%	22	26.83%
Brazil	185	54	1.27%	182	42	1.07%	12	28.57%
Switzerland	165	79	1.86%	191	89	2.28%	(10)	-11.24%
Japan	130	36	0.85%	120	29	0.73%	7	24.14%
Jersey	76	92	2.18%	86	89	2.27%	3	3.37%
Canada	75	18	0.42%	71	14	0.36%	4	28.57%
France	37	17	0.40%	40	19	0.48%	(2)	-10.53%
Ireland	16	10	0.23%	12	9	0.23%	1	11.11%
Luxembourg	11	2	0.04%	14	1	0.04%	1	100.00%
Other Euro countries	41	8	0.18%	43	8	0.21%	0	0.00%
Other countries	441	90	2.12%	453	81	2.06%	9	11.11%
<b>Total - Other</b>	<b>4,275</b>	<b>1,360</b>	<b>32.10%</b>	<b>4,401</b>	<b>1,240</b>	<b>31.66%</b>	<b>120</b>	<b>272.92%</b>
<b>Total - US</b>	<b>4,657</b>	<b>2,869</b>	<b>67.90%</b>	<b>4,971</b>	<b>2,676</b>	<b>68.34%</b>	<b>193</b>	
<b>Grand Total</b>	<b>8,932</b>	<b>4,229</b>	<b>100%</b>	<b>9,372</b>	<b>3,916</b>	<b>100%</b>	<b>313</b>	

# Statistical Trend Analysis

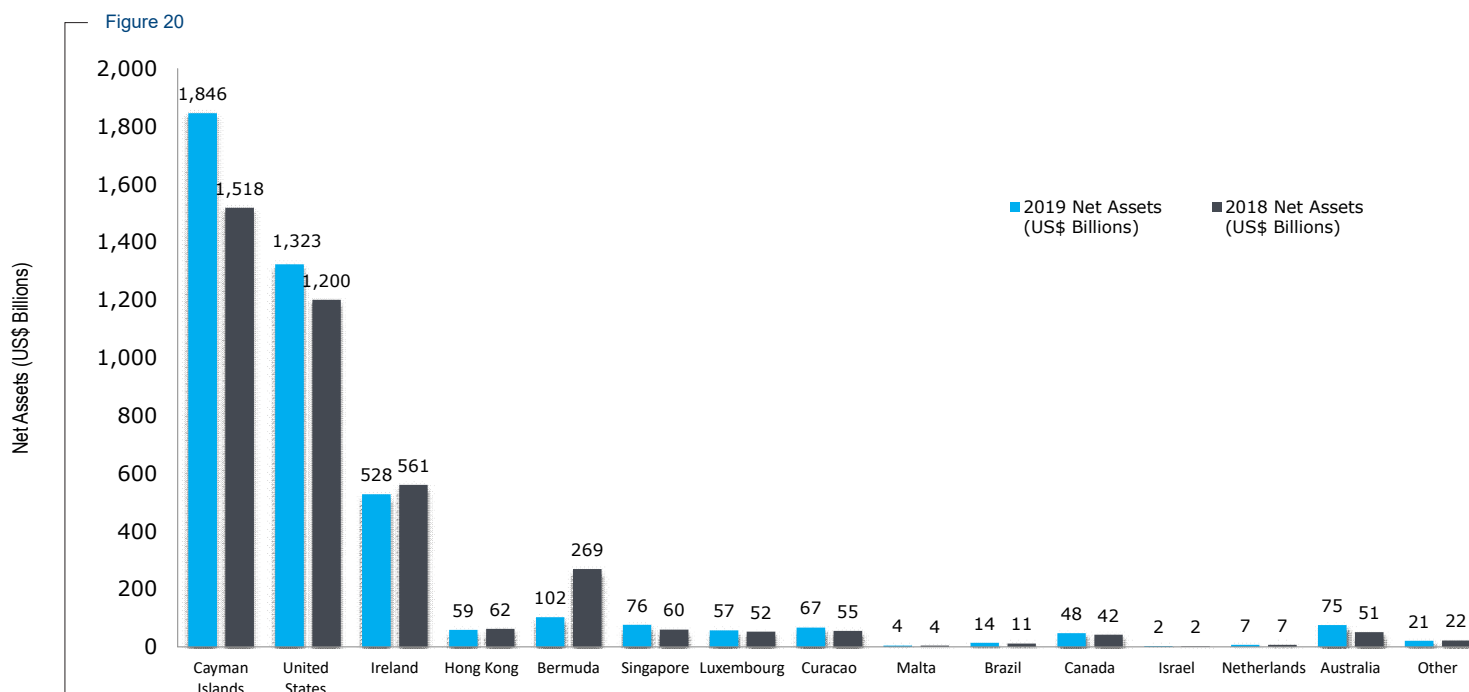
## NET ASSETS BY INVESTMENT MANAGER LOCATION - OTHER (CONTINUED)



# Statistical Trend Analysis

## NET ASSET VALUE (NAV) CALCULATION LOCATION

The Cayman Islands remained the destination of choice for NAV calculation services in 2019 with 3,685 funds up 299 from 2018 and ending NAV of US\$1.846 trillion. This represents 43.65% with firms in the United States<sup>16</sup> and Ireland providing NAV calculation services for 31.29% and 12.49% of ending NAV, respectively. Under the Cayman Islands Mutual Funds Law, there are three types of mutual fund administrators: Full, Restricted and Exempted. Full Administrators can perform administration to an unlimited number of mutual funds and Restricted Administrators can provide services for no more than 10 funds and must receive approval from the Authority for each fund for which they provide administration. At the end of 2019, there were 73 Full, 11 Restricted and 1 Exempted active administrator.



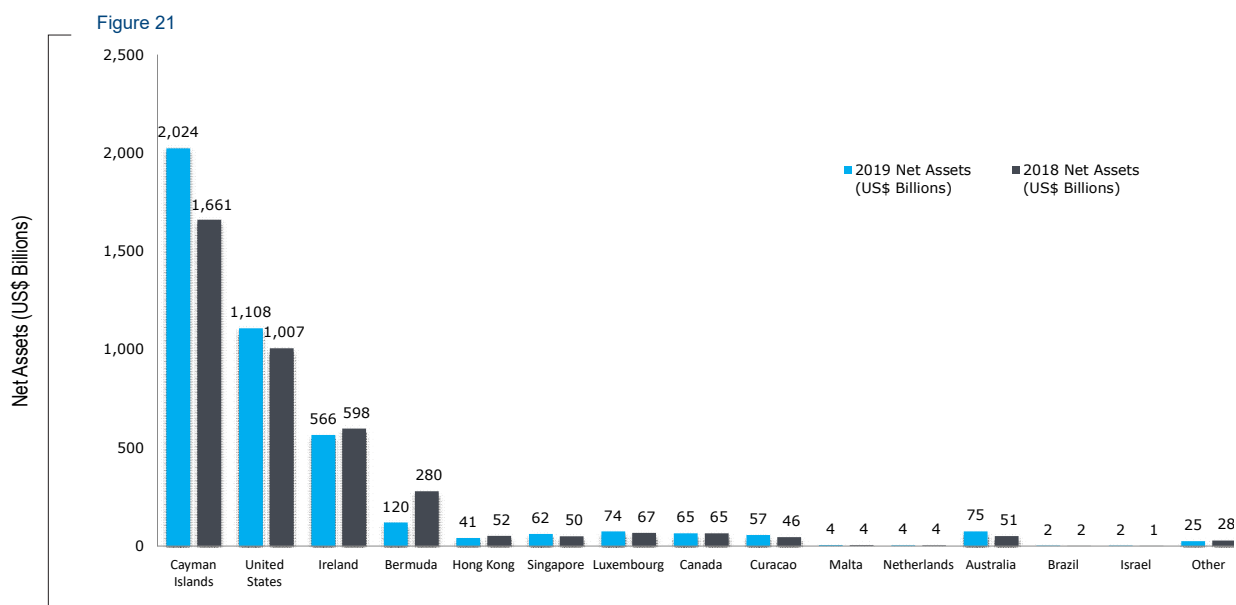
NAV Calculation Location	2019 Number of Funds	2019 Net Assets (US\$ Billions)	Percentage of Total NAV	2018 Number of Funds	2018 Net Assets (US\$ Billions)	Percentage of Total NAV
Cayman Islands	3,685	1,846	43.65%	3,386	1,518	38.76%
United States	2,288	1,323	31.29%	2,453	1,200	30.64%
Ireland	1,015	528	12.49%	1,192	561	14.32%
Hong Kong	412	59	1.38%	407	62	1.58%
Bermuda	398	102	2.42%	758	269	6.87%
Singapore	319	76	1.81%	292	60	1.53%
Luxembourg	152	57	1.34%	163	52	1.34%
Curacao	117	67	1.58%	120	55	1.41%
Malta	84	4	0.09%	103	4	0.11%
Brazil	83	14	0.32%	91	11	0.28%
Canada	72	48	1.13%	81	42	1.07%
Israel	46	2	0.05%	36	2	0.05%
Netherlands	42	7	0.17%	47	7	0.18%
Australia	25	75	1.78%	27	51	1.30%
Other	194	21	0.50%	216	22	0.56%
<b>Total</b>	<b>8,932</b>	<b>4,229</b>	<b>100%</b>	<b>9,372</b>	<b>3,916</b>	<b>100%</b>

<sup>16</sup> 2019 Top five US states: New York, Massachusetts, Delaware, Pennsylvania, and Illinois

# Statistical Trend Analysis

## REGISTRAR AND TRANSFER AGENT (RTA) LOCATION

Based on the 8,932 FAR submissions, Cayman Islands administrators provided Registrar and Transfer Agent services for 4,014 funds or 47.86%, an increase of 302 funds with ending NAV of US\$2.024 trillion in 2019 (2018: US\$1.661 trillion). The next most popular locations for RTA services were the United States<sup>17</sup> with 1,856 funds (ending NAV US\$1.108 trillion) and Ireland with 1,092 funds (ending NAV US\$566 billion) both providing services to fewer funds than in 2018. The number of funds with RTA services in Bermuda were down from 771 to 420 a decrease of 45% but total ending NAV was only down 7.15%.



RTA Location	2019 Number of Funds	2019 Net Assets (US\$ Billions)	Percentage of Total NAV	2018 Number of Funds	2018 Net Assets (US\$ Billions)	Percentage of Total NAV
Cayman Islands	4,014	2,024	47.86%	3,712	1,661	42.42%
United States	1,856	1,108	26.20%	2,018	1,007	25.71%
Ireland	1,092	566	13.39%	1,249	598	15.27%
Bermuda	420	120	2.84%	771	280	7.15%
Hong Kong	363	41	0.97%	376	52	1.33%
Singapore	320	62	1.46%	303	50	1.28%
Luxembourg	184	74	1.76%	197	67	1.71%
Canada	140	65	1.54%	157	65	1.66%
Curacao	115	57	1.34%	115	46	1.17%
Malta	85	4	0.09%	103	4	0.10%
Netherlands	39	4	0.09%	46	4	0.10%
Australia	22	75	1.77%	25	51	1.30%
Brazil	19	2	0.05%	17	2	0.05%
Israel	42	2	0.05%	33	1	0.03%
Other	221	25	0.59%	250	28	0.72%
<b>Total</b>	<b>8,932</b>	<b>4,229</b>	<b>100%</b>	<b>9,372</b>	<b>3,916</b>	<b>100%</b>

<sup>17</sup> Top five US states: New York, Massachusetts, Delaware, Pennsylvania, and Connecticut



# STATISTICAL TREND ANALYSIS

## NAV & RTA SUB-DELEGATED LOCATION

NAV and RTA services offered by Cayman Islands companies are sub-delegated to several other countries with the United States, Singapore, Ireland, Hong Kong, and Canada 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	2019 Number of Funds	2019 Net Assets (US\$ Millions)	2018 Number of Funds	2018 Net Assets (US\$ Millions)
United States <sup>18</sup>	483	277,765	127	50,863
Singapore	281	65,039	243	47,657
Ireland	254	184,389	251	111,715
Hong Kong	244	61,072	220	43,054
Canada	243	152,651	234	147,690
Australia	23	818	20	637
Cayman Islands	19	4,368	20	7,558
Netherlands	19	5,411	10	1,788
United Arab Emirates	9	652	8	419
China	3	49	0	0
South Africa	3	262	1	21
Bermuda	1	172	1	122
Brazil	1	438	1	395
Isle of Man	1	84	0	0
Other	2,101	1,092,423	2,250	1,106,406
<b>Total</b>	<b>3,685</b>	<b>1,845,593</b>	<b>3,386</b>	<b>1,518,325</b>

Figure 23

RTA Sub-delegated Location	2019 Number of Funds	2019 Net Assets (US\$ Millions)	2018 Number of Funds	2018 Net Assets (US\$ Millions)
United States <sup>19</sup>	397	242,488	64	16,707
Ireland	244	169,415	211	85,535
Hong Kong	239	54,555	214	39,031
Singapore	226	55,639	196	36,857
Canada	176	65,532	178	73,400
Australia	19	551	18	382
Cayman Islands	19	4,255	12	6,655
Netherlands	12	1,597	10	1,788
United Arab Emirates	9	652	9	421
South Africa	5	641	2	219
China	4	192	0	0
Isle of Man	1	84	0	0
Other	2,663	1,428,800	2,798	1,400,210
<b>Total</b>	<b>4,014</b>	<b>2,024,401</b>	<b>3,712</b>	<b>1,661,205</b>

<sup>18</sup> Top US states for NAV sub-delegated: New Jersey, New York, Delaware, North Carolina, and California

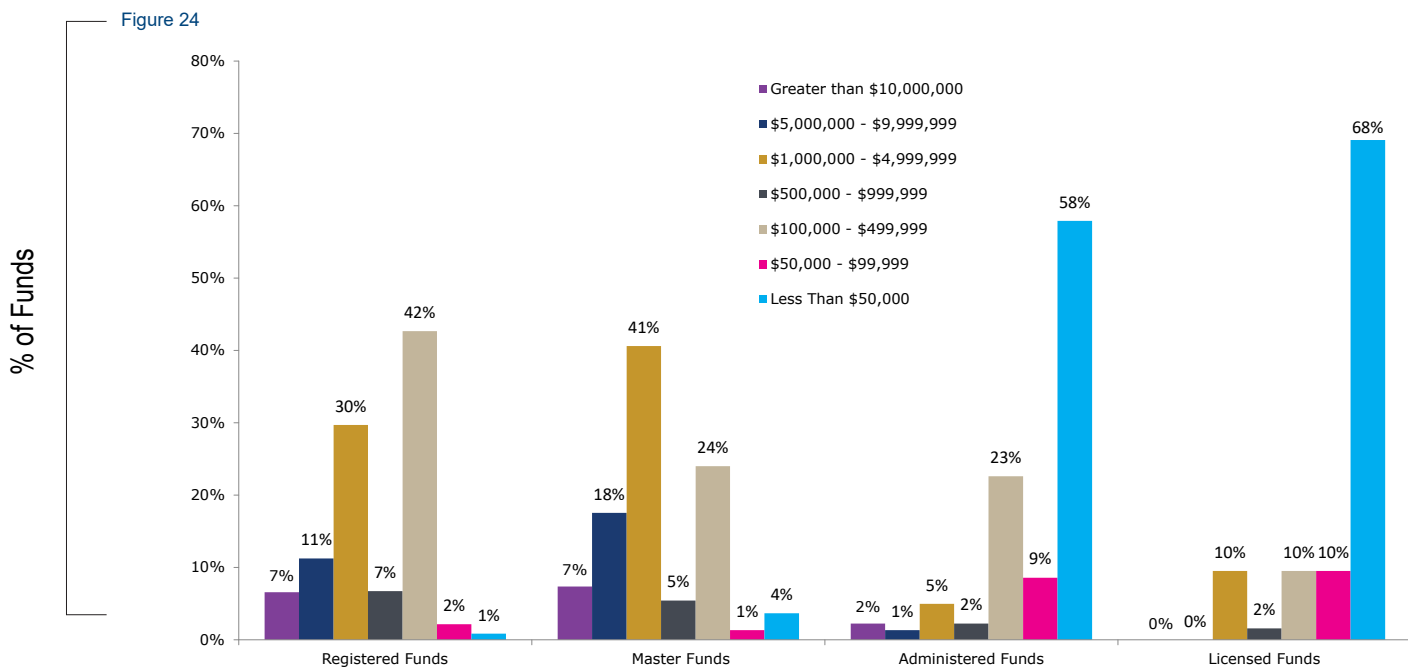
<sup>19</sup> Top US states for RTA sub-delegated: New York, Illinois, California, Delaware, and Pennsylvania

# STATISTICAL TREND ANALYSIS

## MINIMUM INITIAL SUBSCRIPTION

Forty-two percentage of the Registered Funds filing a FAR in 2019 required a minimum investment between US\$100,000 to US\$499,999. A majority or 41% of Master Funds which are funded by feeder funds required a higher minimum initial subscription of between US\$1,000,000 and US\$4,999,999 and Administered Funds required less than US\$50,000 for 58% of its funds. Licensed Funds also known as retail funds also required minimum initial subscription of less than US\$50,000 for the majority or 68% of funds.

Fund Size (US\$ Millions)	Registered Funds	%	Master Funds	%	Administered Funds	%	Licensed Funds	%
Greater than \$10,000,000	404	7%	185	7%	5	2%	0	0%
\$5,000,000 - \$9,999,999	692	11%	440	18%	3	1%	0	0%
\$1,000,000 - \$4,999,999	1,825	30%	1,018	41%	11	5%	6	10%
\$500,000 - \$999,999	413	7%	136	5%	5	2%	1	2%
\$100,000 - \$499,999	2,621	42%	602	24%	50	23%	6	10%
\$50,000 - \$99,999	133	2%	34	1%	19	9%	6	10%
Less Than \$50,000	53	1%	92	4%	128	58%	44	68%
<b>Total</b>	<b>6,141</b>	<b>100%</b>	<b>2,507</b>	<b>100%</b>	<b>221</b>	<b>100%</b>	<b>63</b>	<b>100%</b>

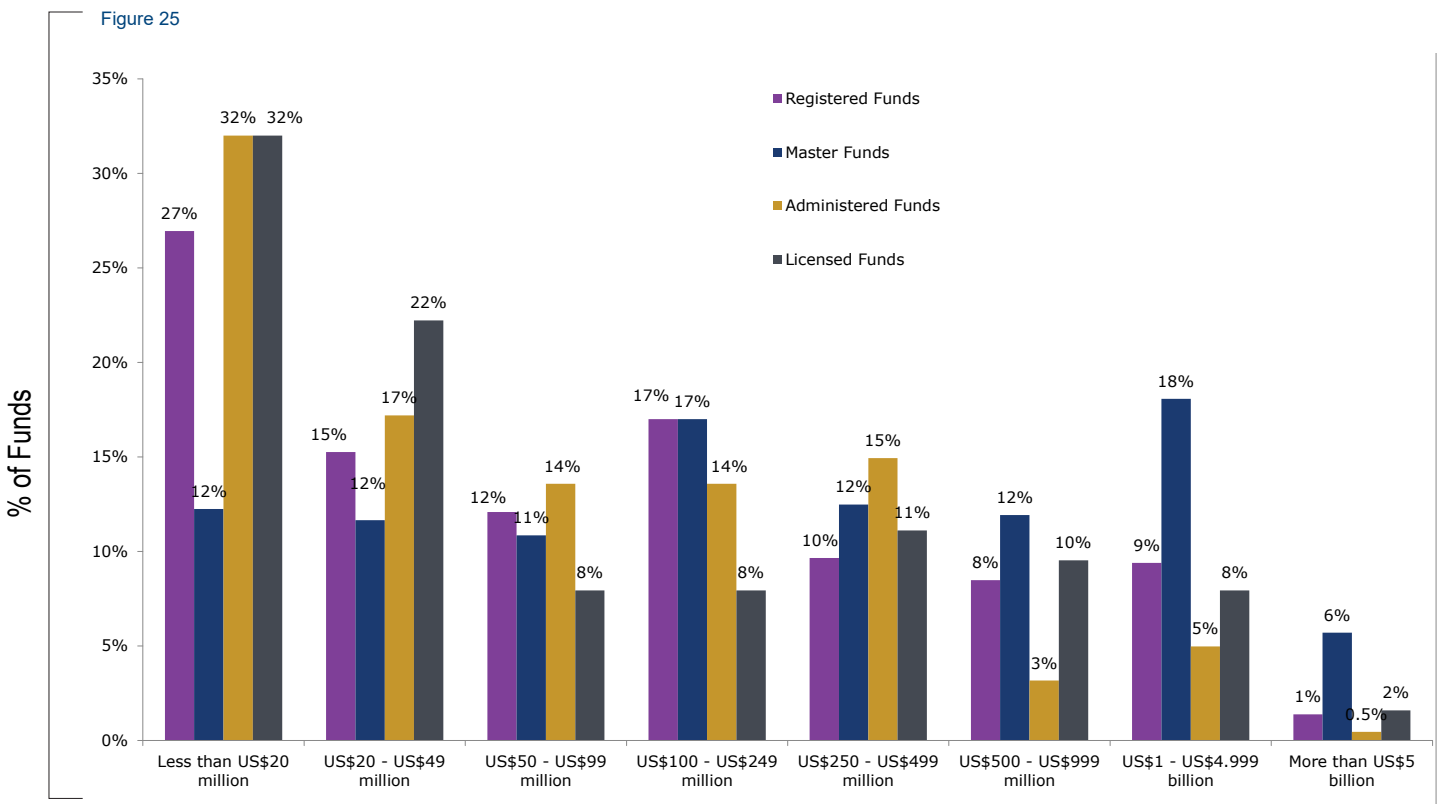


# STATISTICAL TREND ANALYSIS

## FUND SIZE BY TOTAL ASSETS

Based on 2019 FAR filings, there were 1,655 Registered Funds with total assets less than US\$20 million which is considered mid-size by industry standards and 1,031 funds with total assets between US\$100 and US\$249 million. Two Registered Funds reported total assets more than US\$50 billion compared to one the prior year. Eighteen percent or 453 Master Funds had total assets of between US\$1 and US\$4.999 billion and 17% or 428 funds with total assets between US\$100 to US\$249 million. In 2019, there were six Master Funds with total assets more than US\$100 billion whereas in 2018, the three largest funds had total assets of just over US\$20 billion. The majority of Administered (32%) and Licensed Funds (32%) had total assets of less than US\$20 million. There was one Administered Fund and one Licensed Fund with total assets more than US\$5 billion compared to two each in 2018.

Fund Size (US\$ Millions)	Registered Funds	%	Master Funds	%	Administered Funds	%	Licensed Funds	%
Less than US\$20 million	1,655	27%	307	12%	71	32%	20	32%
US\$20 - US\$49 million	937	15%	292	12%	38	17%	14	22%
US\$50 - US\$99 million	742	12%	272	11%	30	14%	5	8%
US\$100 - US\$249 million	1,031	17%	428	17%	30	14%	5	8%
US\$250 - US\$499 million	593	10%	313	12%	33	14.5%	7	11%
US\$500 - US\$999 million	521	8%	299	12%	7	3%	6	9%
US\$1 - US\$4.999 billion	577	9%	453	18%	11	5%	5	8%
More than US\$5 billion	85	1%	143	6%	1	0.5%	1	2%
<b>Total</b>	<b>6,141</b>	<b>100%</b>	<b>2,507</b>	<b>100%</b>	<b>221</b>	<b>100%</b>	<b>63</b>	<b>100%</b>

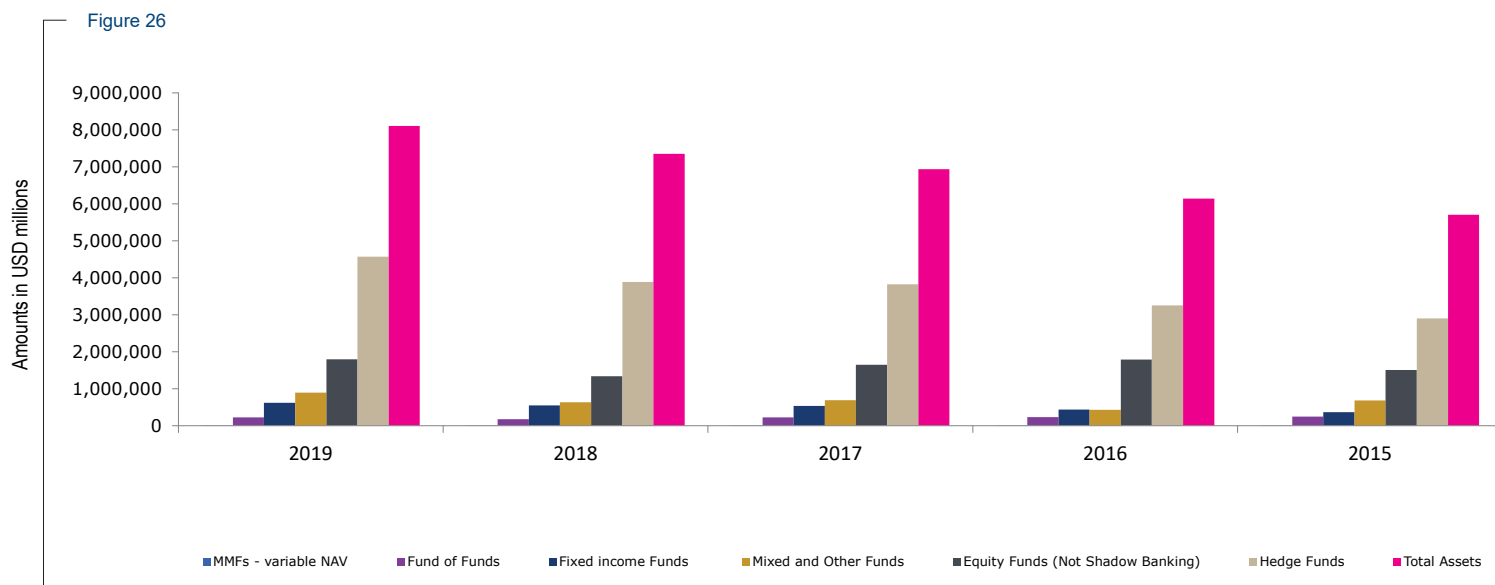


# STATISTICAL TREND ANALYSIS

## ECONOMIC FUNCTIONS OF INVESTMENT FUNDS

Each year, CIMA participates in the Non-Bank Financial Intermediation (NBFI) monitoring exercise conducted by the Financial Stability Board (FSB). The comprehensive monitoring of global trends, risks, and innovations of NBFI is a key part of the FSB's efforts to enhance financial system resilience. The FSB's monitoring exercise, currently based on data submitted by 29 jurisdictions uses sectoral balance sheet data from national financial accounts statistics ("flow of funds"), complemented with supervisory and other publicly available data where appropriate. This monitoring exercise helps authorities deepen their understanding of NBFI and identify areas for further improvements in data availability and analysis. 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 below, the total assets of Cayman Islands mutual increased by US\$755 billion or 10% year on year.

Economic Functions	2019 (US\$ billions)	2018 (US\$ billions)	2017 (US\$ billions)	2016 (US\$ billions)	2015 (US\$ billions)
Money Market Funds - variable NAV <sup>20</sup> VE	1	1	5	2	4
Fund of Funds	223	177	229	231	246
Fixed Income Funds	617	549	536	436	364
Mixed and Other Funds	898	834	692	431	685
Hedge Funds <sup>21</sup>	4,568	4,449	3,825	3,255	2,904
<b>Total Potential Credit Intermediation</b>	<b>6,307</b>	<b>6,010</b>	<b>5,287</b>	<b>4,355</b>	<b>4,203</b>
<b>Equity Funds<sup>22</sup></b>	<b>1,797</b>	<b>1,340</b>	<b>1,649</b>	<b>1,787</b>	<b>1,504</b>
<b>Total Assets</b>	<b>8,104</b>	<b>7,350</b>	<b>6,936</b>	<b>6,142</b>	<b>5,707</b>



<sup>20</sup> While CIMA can 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.

<sup>21</sup> Hedge Funds as defined for the NBFI Monitoring Project are funds with a gross leverage ratio (GNE/NAV) exceeding 125%.

<sup>22</sup> Equity Funds invest principally in equity securities and therefore are assessed as not engaging in credit intermediation

# 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

# Glossary of Terms

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 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

# Glossary of Terms

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.

**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

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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