

# Mind the Gap

Exceed expectations of  
clients and regulators.

Leverage your  
alternatives knowledge

Gain credibility



STOCKS  
BONDS  
CASH

CAIA  
ASSOCIATION\*

GET SMART. STAY SMART.

HEDGE FUNDS  
REAL ASSETS  
PRIVATE EQUITY  
COMMODITIES  
DERIVATIVES



Western India Regional Council of  
The Institute of Chartered Accountants Of India

# 2-DAY WORKSHOP ON ALTERNATIVE INVESTMENTS

**JO MURPHY**

**MANAGING DIRECTOR, HEAD OF ASIA PACIFIC**

**FRIDAY, 9<sup>TH</sup> FEBRUARY, 2018**



Chartered Alternative Investment Analyst Association

*REBALANCE YOUR EDUCATION PORTFOLIO*

**Why Alternative Investments? ... Investor Appetite**

**Asia Pacific Investors ... Who are they?**

**A Dive into the Global Hedge Fund Industry**

**Due Diligence**

**Professional Development**

**What's next?**

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GET SMART. STAY SMART.

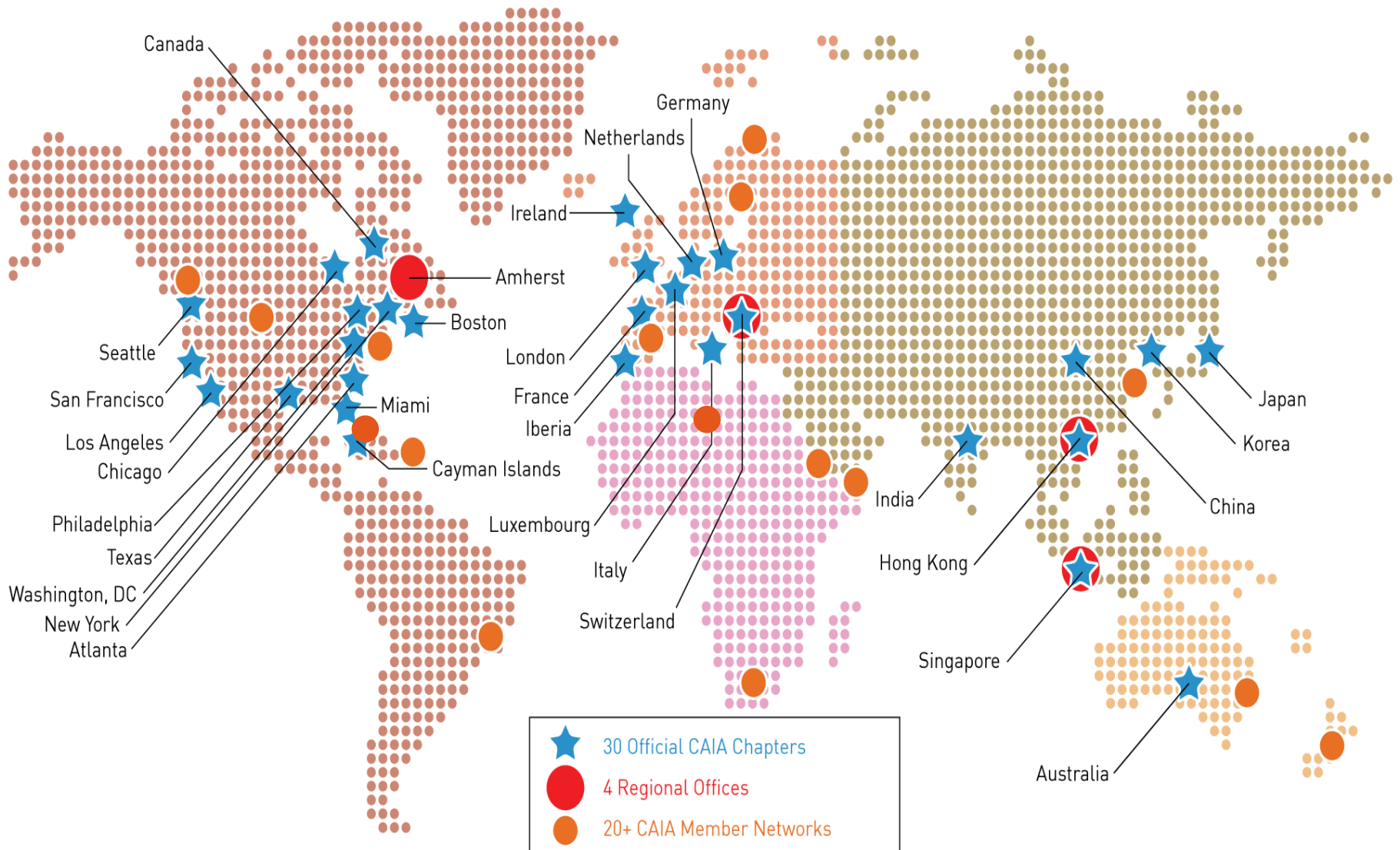
HEDGE FUNDS  
REAL ASSETS  
PRIVATE EQUITY  
COMMODITIES  
DERIVATIVES

# THE CAIA CHARTER DESIGNATION

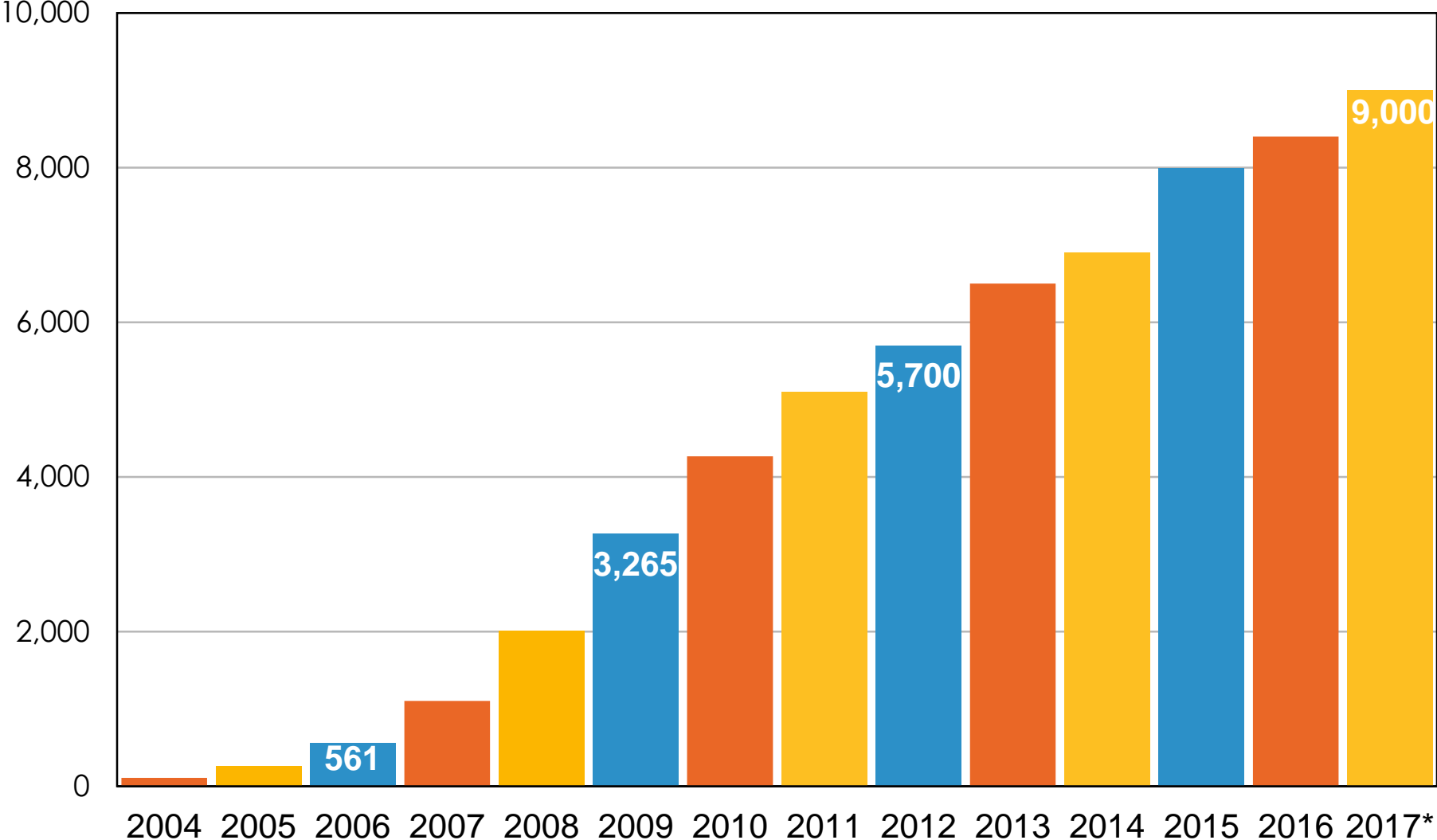


- Globally recognized credential for professionals managing, analyzing, distributing, or regulating alternative investments.
- Highest standard of achievement in alternative investment education.
- Comprehensive program comprised of a two-tier exam process:
  - **Level I** assesses understanding of various alternative asset classes and knowledge of the tools and techniques used to evaluate the risk-return attributes of each one.
  - **Level II** assesses application of the knowledge and analytics learned in Level I within a portfolio management context.
    - Both levels include segments on ethics and professional conduct.

# GLOBAL PRESENCE



# Membership Growth



\*2017 Data through May 2017





The Chartered Alternative Investment Analyst Association's Board of Directors  
does hereby confer the designation of

## Chartered Alternative Investment Analyst

upon

*Jonathan Sample Name IV*

Charter Number 12345

who has successfully completed all the requirements prescribed for this designation.

In Testimony Whereof, this Charter is granted under the seal of the  
Chartered Alternative Investment Analyst Association this  
seventh day of June, 2017.



*Mark Anson*  
Mark Anson  
Director

*Andrew Baker*  
Andrew Baker  
Director

*Robert DeRito*  
Robert DeRito  
Director

*David George*  
David George  
Director

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*Thomas Robinson*  
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*Thomas Schneeweis*  
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*Valerie J. Sill*  
Valerie J. Sill  
Director

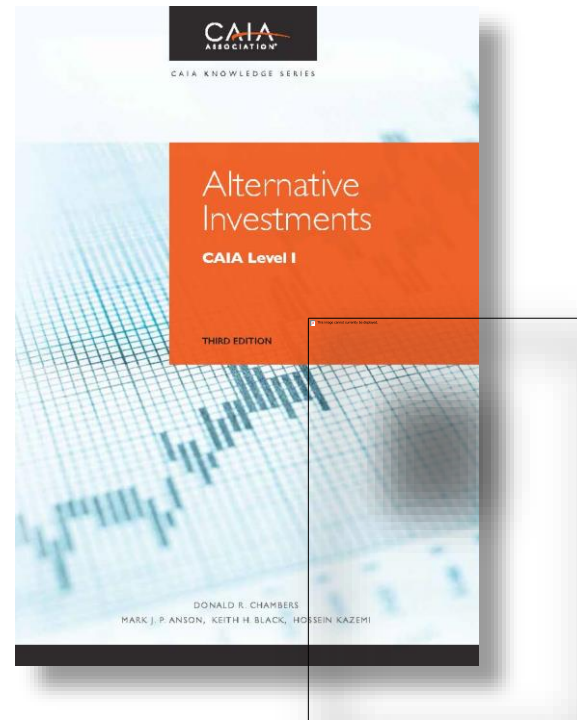
*M. Jane Buchan*  
M. Jane Buchan  
Chair

*William Kelly*  
William Kelly  
President & CEO



## Core Concepts

- Professional Standards & Ethics
- Introduction to Alternative Investments
- Real Assets
- Hedge Funds
- Private Equity
- Structured Products
- Risk & Portfolio Management



# Level I Curriculum Changes

## **New or Updated Topic Areas**

- Liquid alternatives
- New introduction chapter devoted to financial economics
- Structured products expansion (equity, commodity, and fixed income products)
- Real asset expansion

## **Enhanced Applications on [caia.org](http://caia.org)**

- Highlight and demonstrate numerical examples

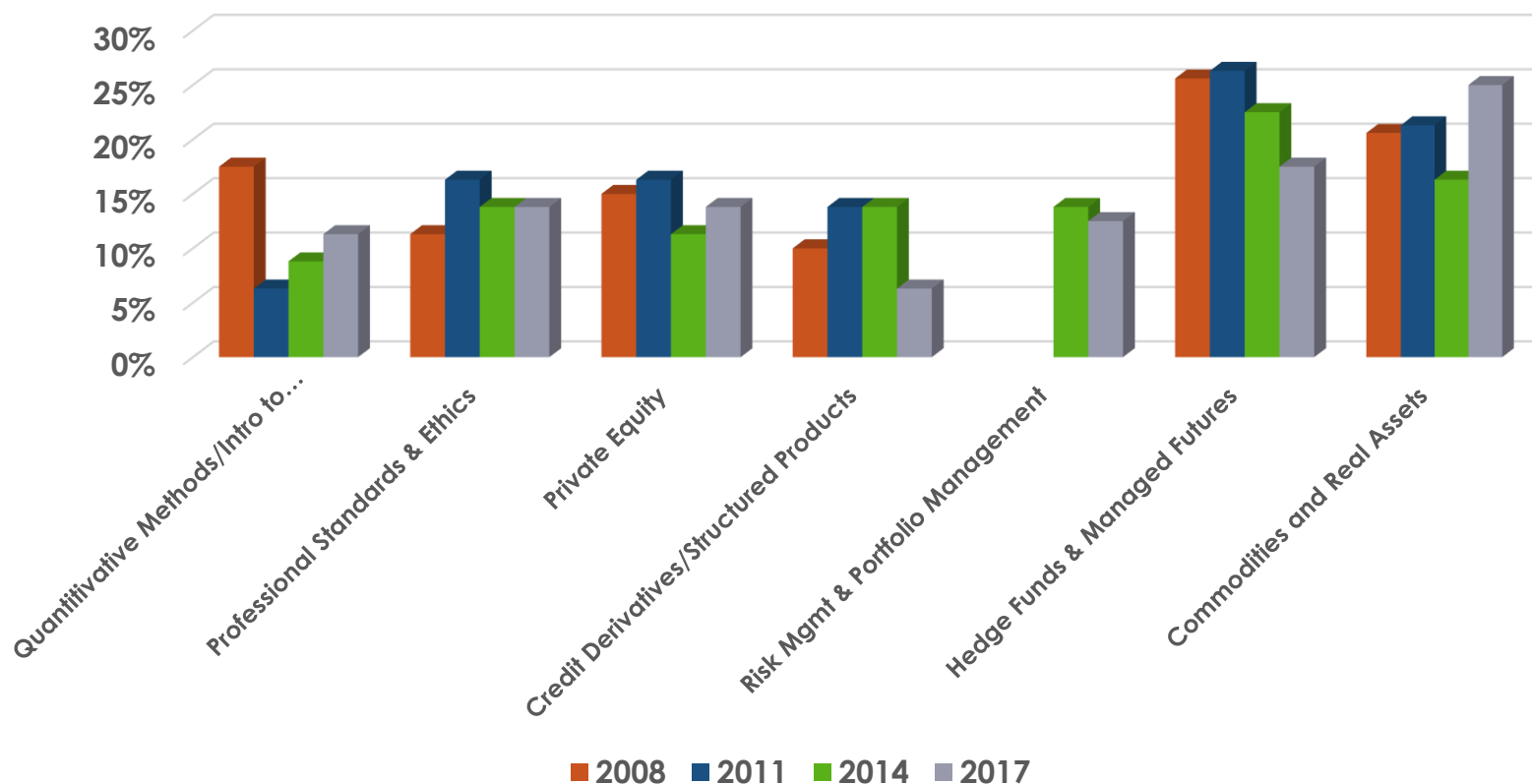
## **Additional Review Questions**

- Review questions at the end of each chapter (Answers can be found in the CAIA Level I Workbook)

# CAIA TOPIC EVOLUTION: 2008 - 2017

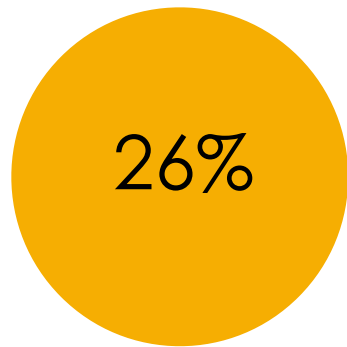


- As the Alternative Investment Universe expanded in both AUM and products, the curriculum evolved in tandem



# Alternatives Are More Than Hedge Funds

Hedge Funds Are Becoming A Smaller Topic Within The CAIA Curriculum



Hedge Fund Topic Weight in 2008



Hedge Fund & Managed Futures in 2014



Hedge Fund & Managed Futures in 2017

# Level II Curriculum – Third Edition

## Advanced Core Concepts

- Professional Standards & Ethics
- Venture Capital & Private Equity
- Hedge Funds & Managed Futures
- Real Estate/Real Assets
- Commodities
- Structured Products
- Manager Selection, Due Diligence & Regulation
- Research Issues & Current Topics
- Risk & Risk Management
- Asset Allocation & Portfolio Management



# Level II Curriculum Recent Changes

The 3<sup>rd</sup> Edition of the CAIA Level II textbook provides comprehensive data models, due diligence processes, analysis, and strategies to keep you current and relevant in the field of alternative investments.

## **New or Updated Topic Areas**

Enhanced coverage of:

- Family offices and sovereign wealth funds.
- Alternative investment groups, such as structured products and infrastructure
- Private equity
- Real assets
- Hedge funds including credit strategies and operational due diligence
- Structured products – featuring two sections focused on fixed-income derivatives and asset-backed securities, and insurance-linked products and hybrid securities

# Resources for Success – Curriculum & Study Tools

Level I Level II

**CAIA Level I September 2017 Exam Materials**  
Available for download, purchase, or online access.



**CAIA Level I Core Book**  
Buy from Wiley | Buy from Amazon



**Study Guide Level I**  
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**Workbook Level I**  
Download Free



**Standards of Practice**  
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Level I Level II

**CAIA Level II September 2017 Exam Materials**  
Available for download, purchase, or online access.



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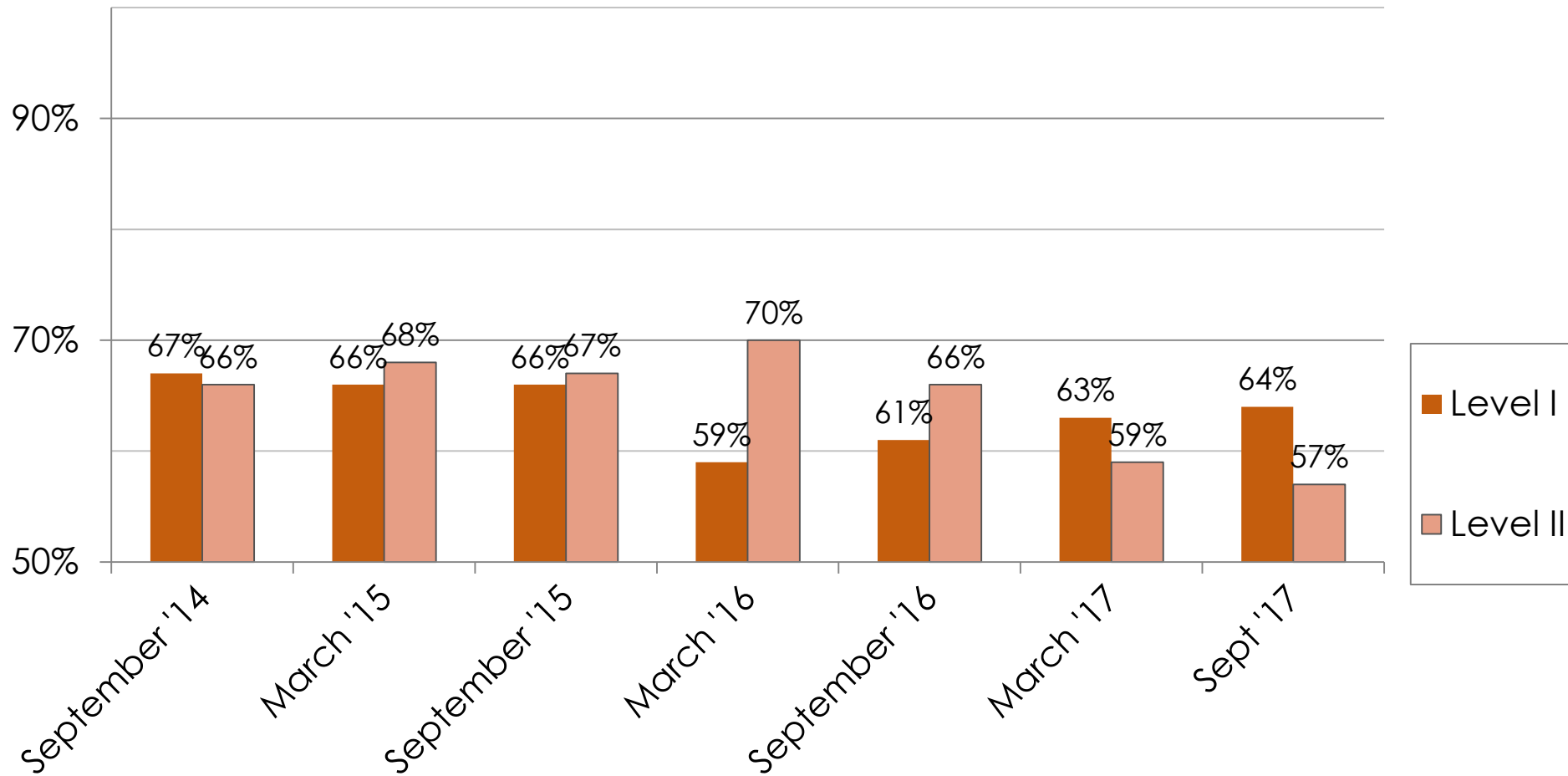


**Candidate Handbook**  
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**Sample Exam Level II**  
Access Now | Register

# Pass Rates





# Academic Partnerships - Americas



**HEC MONTRÉAL**



**USC Marshall**  
School of Business



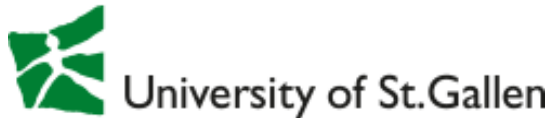
**ISENBERG**  
UMASS AMHERST



School of Business  
**D'Amore-McKim**  
Northeastern University

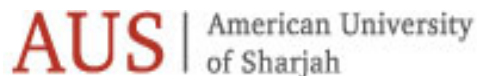


# Academic Partnerships - EMEA



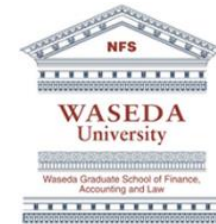
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**Amsterdam Business School**



A complete list of CAIA's academic partners globally can be found at [caia.org](http://caia.org).

# Academic Partnerships - APAC



A complete list of CAIA's academic partners globally can be found at [caia.org](http://caia.org).

# Association Partnerships

**bvca**

**iaqf**  
INTERNATIONAL ASSOCIATION  
FOR QUANTITATIVE FINANCE

**FWA**

**SVCA** *Singapore Venture Capital  
& Private Equity Association*

 **CalALTs**

 **alfi** association of the  
luxembourg fund industry

**The New York  
Hedge Fund  
Roundtable**

**NZARA**

**ilpa**  
INSTITUTIONAL LIMITED  
PARTNERS ASSOCIATION

  
**APREA**

**BAI** *diversification matters.*

**IOO**  
Women in Finance

**SBIA**  
SMALL BUSINESS  
INVESTOR ALLIANCE



# Sample Employers

Banks	Consultants	Fund Managers	Regulators	Pension Funds & Endowments
<ul style="list-style-type: none"><li>• HSBC</li><li>• Citi</li><li>• Credit Suisse</li><li>• UBS</li><li>• Barclays Capital</li><li>• Deutsche Bank</li><li>• ICICI</li><li>• AXIS</li></ul>	<ul style="list-style-type: none"><li>• Cambridge Associates</li><li>• New England Pension Consultants</li><li>• Mercer</li><li>• Towers Watson</li></ul>	<ul style="list-style-type: none"><li>• Blackrock</li><li>• Goldman Sachs</li><li>• J.P. Morgan</li><li>• Morgan Stanley</li><li>• State Street</li></ul>	<ul style="list-style-type: none"><li>• U.S. SEC</li><li>• MAS Singapore</li><li>• SFC Hong Kong</li><li>• FCA UK</li><li>• CIMA Cayman</li><li>• SEBI</li></ul>	<ul style="list-style-type: none"><li>• APG</li><li>• Teacher Retirement System of Texas</li><li>• Chicago Teachers</li><li>• Ontario Teachers</li><li>• CalPERS</li><li>• Harvard Management Co.</li></ul>

# CAIA is Preferred

## Top companies seek to hire CAIA Charterholders. *Sample job postings from the CAIA Career Center*



Risk Management - Associate  
Industry certifications, such as  
a CFA, **CAIA**, or FRM, are a  
plus.



BNY MELLON

International Relationship  
Manager. CFA, **CAIA** or  
working toward preferred.



Senior Quantitative Research  
Analyst. CFA, **CAIA**, CIMA



Equity Investment Research -  
Manager. CIMA, **CAIA**, and/or  
CFA charter holders or  
candidates will be looked  
favorably upon.

BLACKROCK

International Trading Manager  
MBA, CFA, **CAIA** or CMT preferred



Senior Credit Specialist  
CFA / **CAIA** / FRM / PRM is  
considered highly  
advantageous.

# Member Benefits

- Use of CAIA marks in professional documents
- Chapter educational and networking events
- Global network of more than 9,000 Members
- Globally-recognized designation
- Education and Research at CAIA.org
- Self-evaluation Tool
- Ongoing Education
- CAIA Career Center
- One Expiration Date – May 31<sup>st</sup>
- Two-Year Membership Rate (April 2016)
- New Member Outreach Initiatives



The Journal of  
**Alternative**  
Investments

**AllAboutAlpha.com**  
Research, Analysis & Opinion on Alternative Investments.

**Career Center**

CAIA's Career Center is an easy-to-use, comprehensive resource connecting job seekers with employers in the growing AI field. Use your knowledge and credibility to advance your career or build a talented team for your organization. Opportunities targeted to CAIA Charterholders are prioritized.

**For Employers**

**Job Seekers**

**My Profile**

**CAIA Programs**

**CAIA ASSOCIATION**

**Alternative Investment Analyst Review**

EDITOR'S LETTER  
The Credible Money Tree When You Are Right  
ROBERT ROSEN  
THE PRACTICE OF ASSET ALLOCATION  
MINDY GARDNER  
THE PRACTICE OF ASSET ALLOCATION  
MINDY GARDNER  
THE PRACTICE OF ASSET ALLOCATION  
MINDY GARDNER  
THE PRACTICE OF ASSET ALLOCATION  
MINDY GARDNER



Fundamentals of  
**Alternative  
Investments**™



**REBALANCE YOUR EDUCATION PORTFOLIO**



# Fundamentals of Alternative Investments

The **Fundamentals of Alternative Investments** certificate program provides a foundation of core concepts in alternative investments

- **Fundamentals** fills a critical education gap for those who need to understand the evolving landscape of alternative investments.
- Online, 20-hour, self-paced course
- Earns CE hours for the CIMA<sup>®</sup>, CIMC<sup>®</sup>, CPWA<sup>®</sup>, CPA<sup>®</sup>, and CFP<sup>®</sup> designations
- Understand the core concepts in alternative investments
- Gain confidence in discussing and positioning alternatives

# FAI Certificate



The Chartered Alternative Investment Analyst Association  
recognizes

**Insert Name Here**

for the successful completion of the  
Fundamentals of Alternative Investments Certificate Program on

October 22, 2014



A handwritten signature in black ink, appearing to read "W. Kelly".

William Kelly  
Chief Executive Officer  
CAIA Association

Fundamentals of  
**Alternative  
Investments**



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**Why Alternative Investments? ... Investor Appetite**

**Asia Pacific Investors ... Who are they?**

**A Dive into the Global Hedge Fund Industry**

**Due Diligence**

**Professional Development**

**What's next?**

# **Why Alternatives? ....**

## **Investors are Increasing Allocations ....**



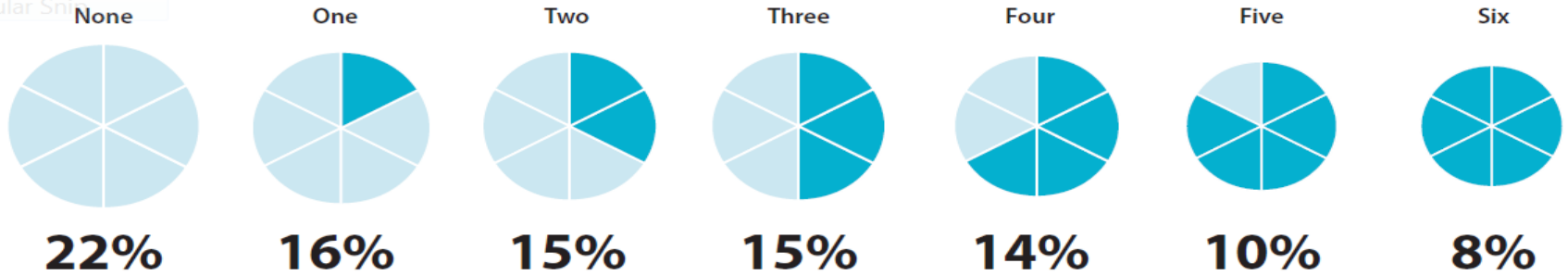
Chartered Alternative Investment Analyst Association

# INVESTOR PORTFOLIOS BECOMING EVER MORE DIVERSIFIED



## INSTITUTIONAL INVESTORS BY NUMBER OF ALTERNATIVE ASSET CLASSES INVESTED IN

ectangular Sni



### AUM



- Global asset management industry about US\$98tn
  - Global AI about US\$15tn
  - Global ETF about US\$3tn

### Estimated revenue to managers



- Active management about \$700bn
  - AI about \$200bn
  - ETF about \$13bn

**Future Proofing : Does Your Skill Set Map Today's Industry?**

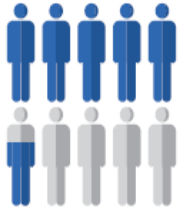
# INSTITUTIONAL INVESTOR ALLOCATION



## PROPORTION OF INSTITUTIONAL INVESTORS ALLOCATING TO EACH ALTERNATIVE ASSET CLASS

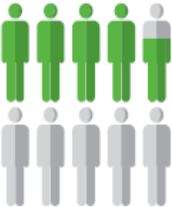
Private Equity

56%



Hedge Funds

46%



Real Estate

56%



Infrastructure

33%



Private Debt

34%

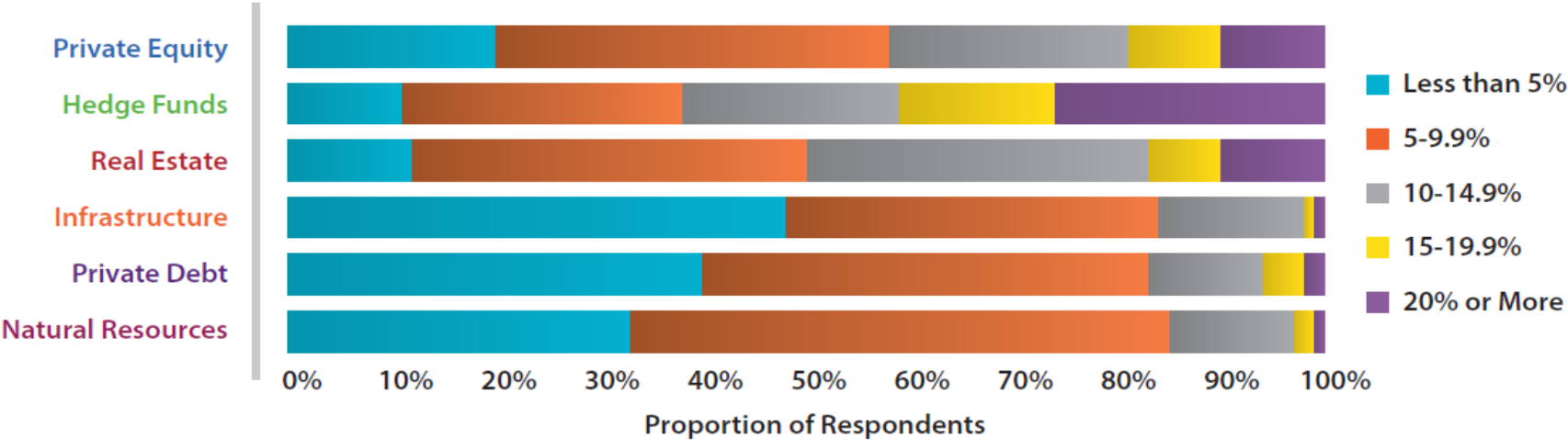


Natural Resources

38%



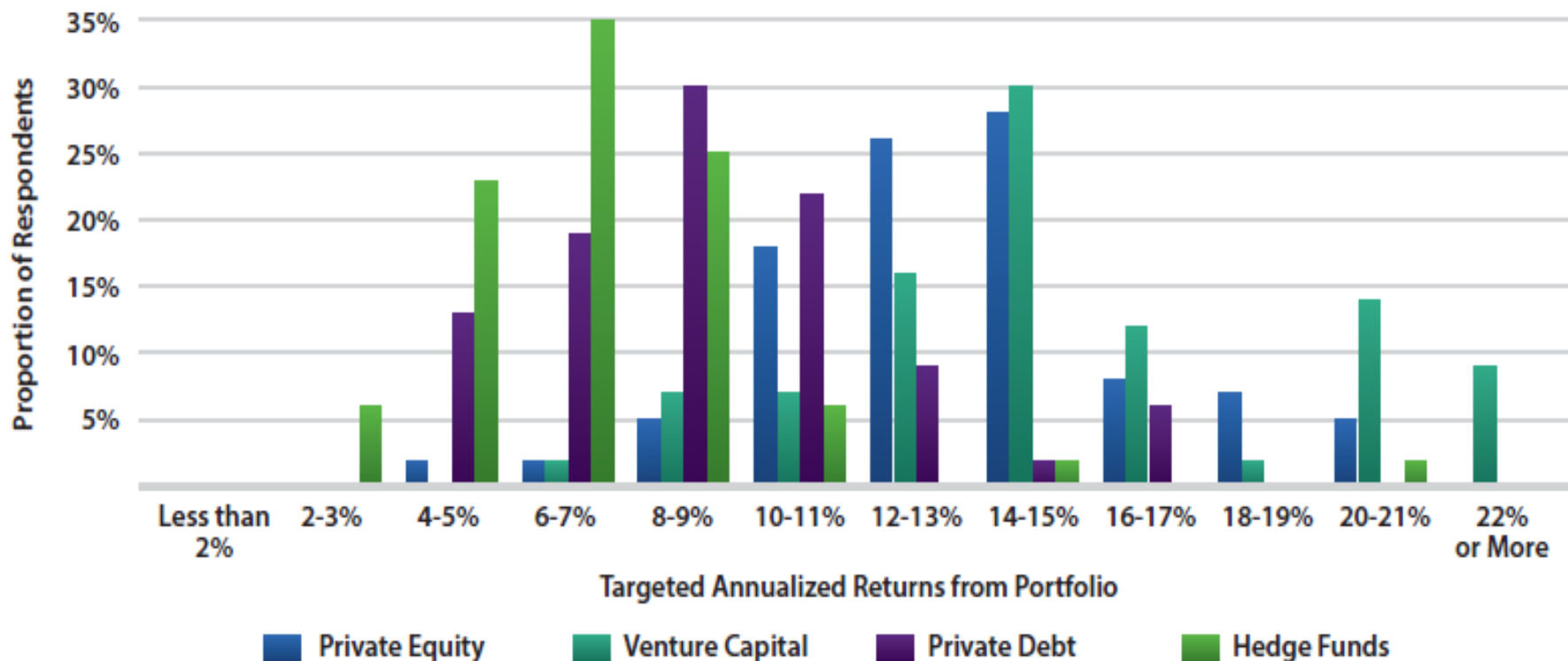
## INSTITUTIONAL INVESTORS IN ALTERNATIVE ASSETS BY TARGET ALLOCATION TO EACH ASSET CLASS (AS A % OF AUM)



Source: Preqin Investor Outlook : Alternative Assets H2 2017

# WHY INVEST IN ALTERNATIVES?

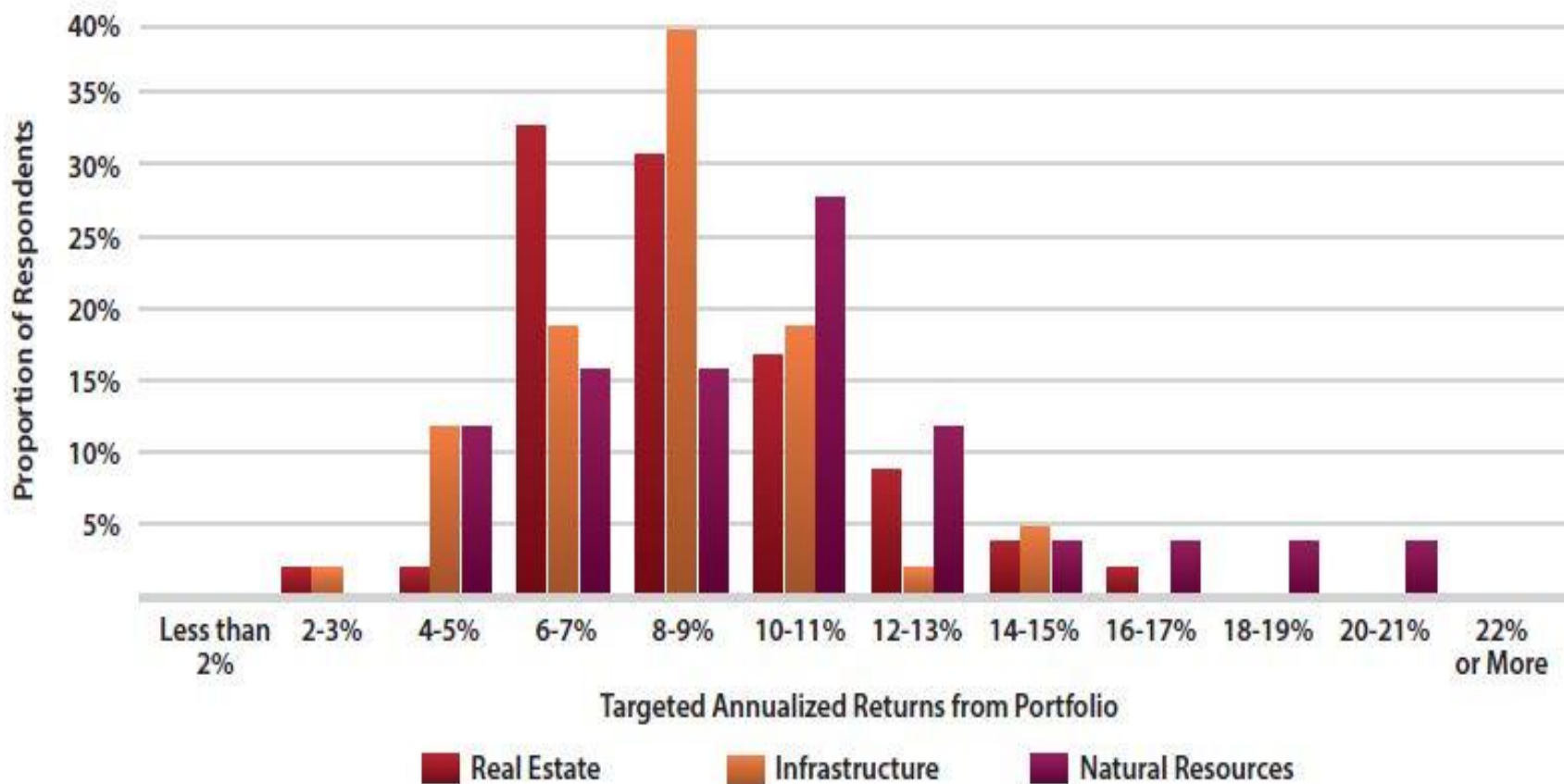
PRIVATE EQUITY	VENTURE CAPITAL	PRIVATE DEBT	HEDGE FUNDS
High Absolute Returns	High Absolute Returns	Diversification	Diversification
High Risk-Adjusted Returns	Diversification	Reliable Income Stream	Low Correlation to Other Asset Classes
Diversification	High Risk-Adjusted Returns	High Risk-Adjusted Returns	Reduce Portfolio Volatility





# WHY INVEST IN ALTERNATIVES?

REAL ESTATE	INFRASTRUCTURE	NATURAL RESOURCES
Diversification	Diversification	Diversification
Inflation Hedge	Reliable Income Stream	Inflation Hedge
High Risk-Adjusted Returns	Low Correlation to Other Asset Classes	High Risk-Adjusted Returns

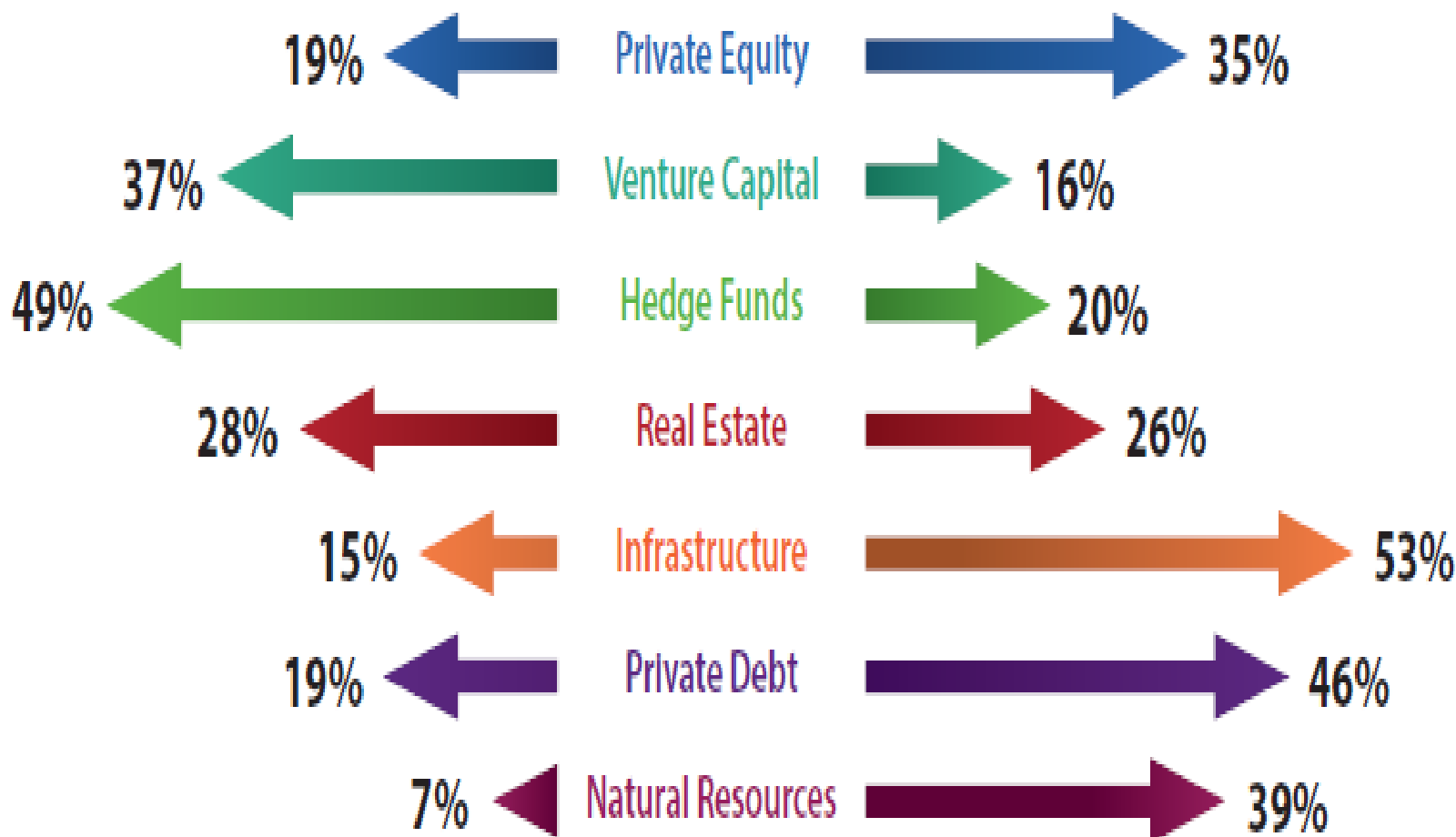


# INSTO INVESTORS' PLANS FOR THE COMING YEAR

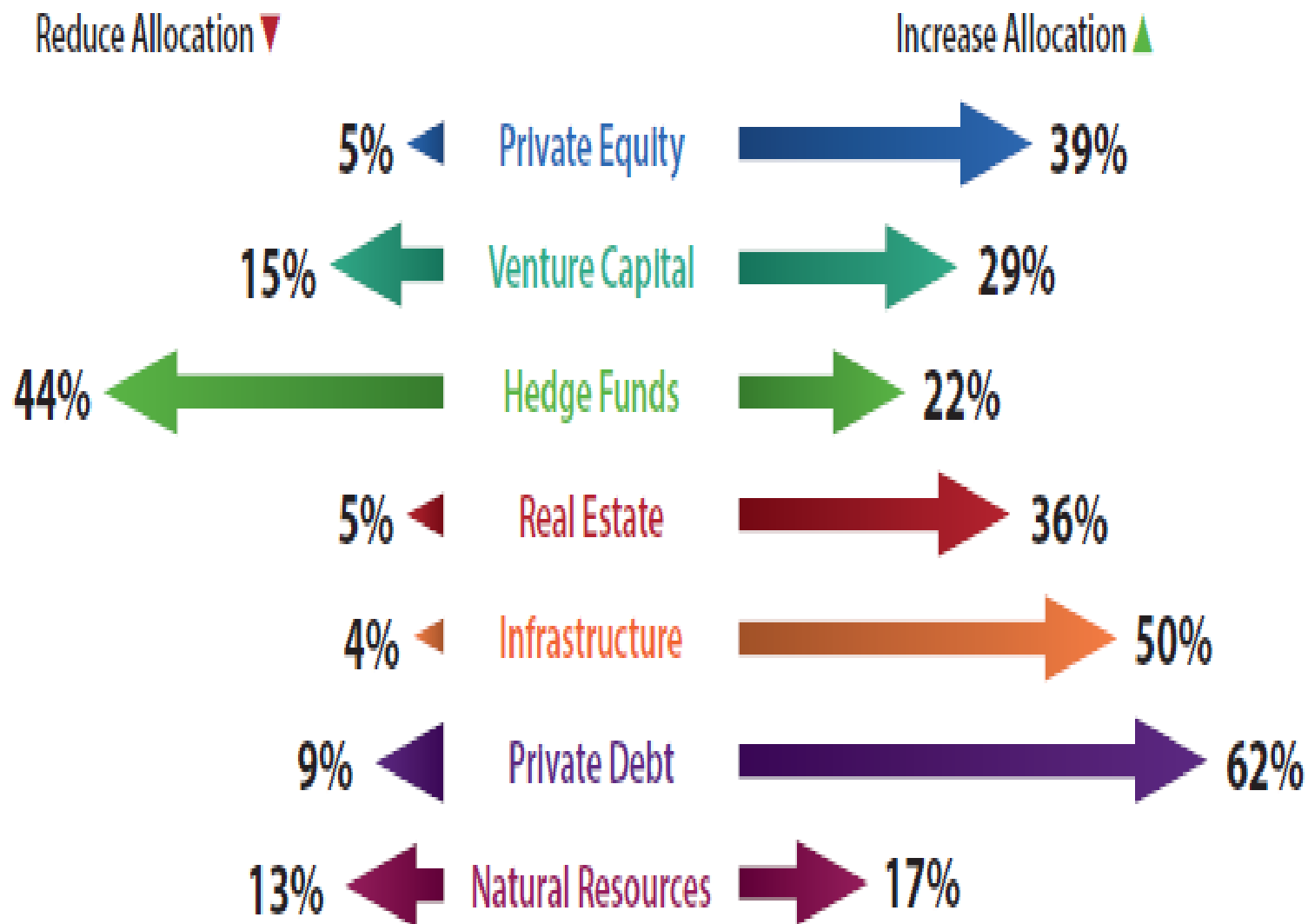


Invest Less Capital than in Past 12 Months ▼

Invest More Capital than in Past 12 Months ▲



# INSTO INVESTORS' PLANS FOR THE LONGER TERM



**Asia Pacific Investors - who are they ... and,  
which assets classes are they interested in?**



Chartered Alternative Investment Analyst Association

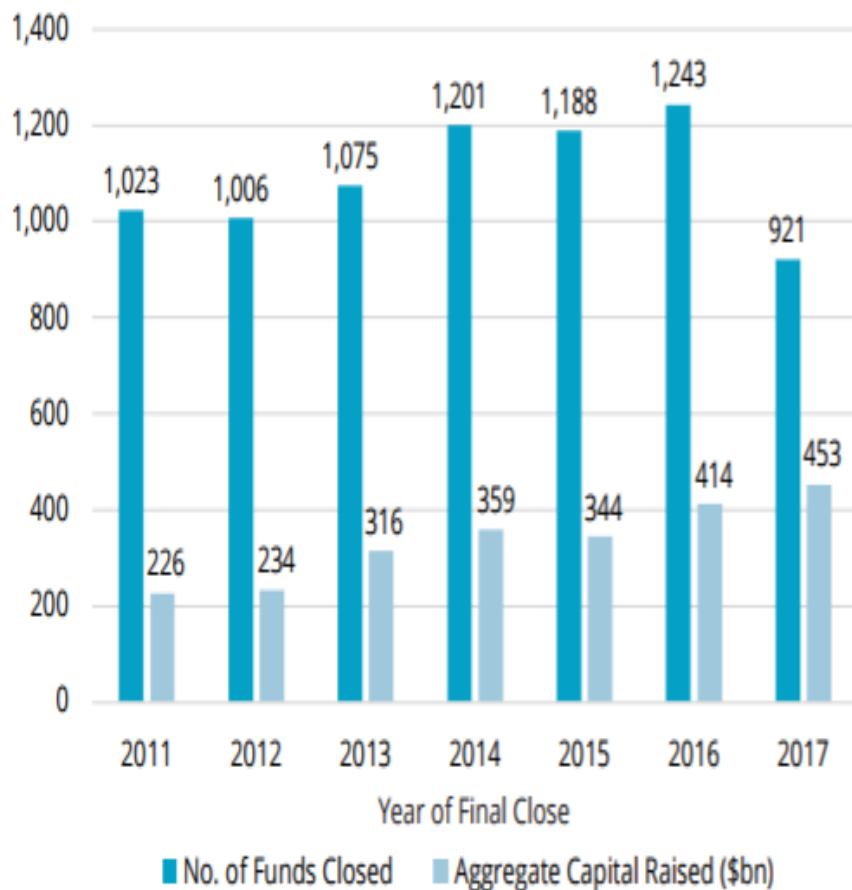
# TOP 10 ASIA-PACIFIC-BASED P/E & VC INVESTORS



Investor	Type	Country	Current allocation (USD bn)
GIC	Sovereign Wealth Fund	Singapore	31,824
China Investment Corporation	Sovereign Wealth Fund	China	20,000
National Pension Service	Public Pension Fund	South Korea	19,365
Hong Kong Monetary Authority	Sovereign Wealth Fund	Hong Kong	14,312
Future Fund	Sovereign Wealth Fund	Australia	10,852
Gopher Asset Management	Private Equity Fund of Funds Manager	China	9,261
Asia Alternatives Management	Private Equity Fund of Funds Manager	Hong Kong	8,900
China Life Insurance	Insurance Company	China	8,733
Export-Import Bank of China	Bank	China	6,229
Oriza Holdings	Private Equity Fund of Funds Manager	China	6,124

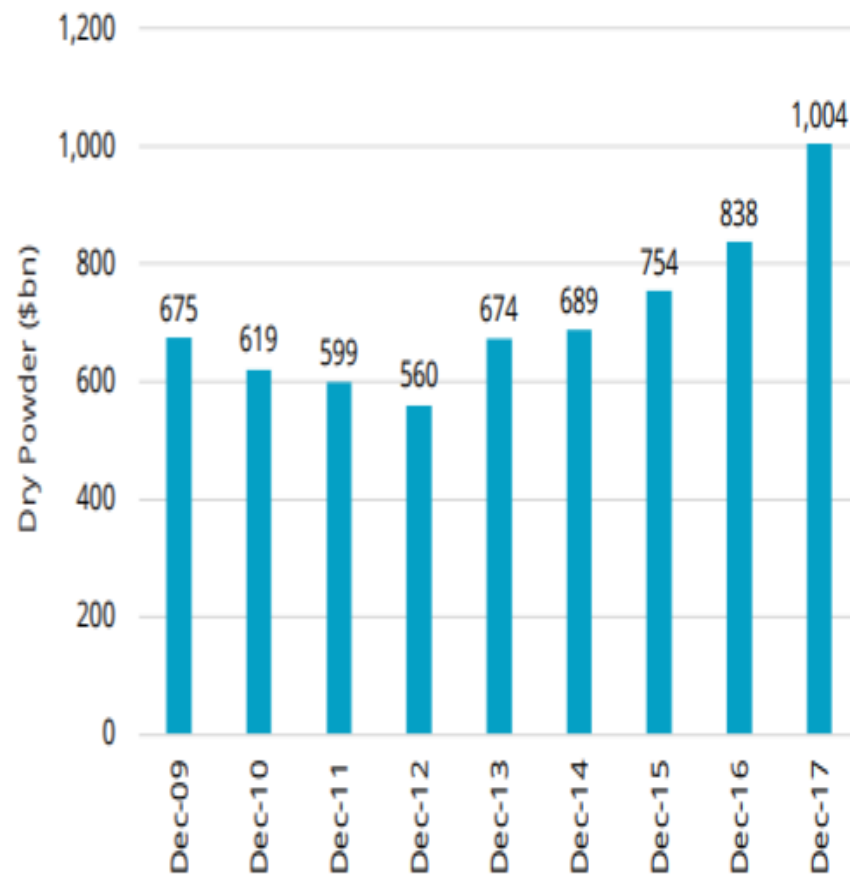
# PRIVATE EQUITY

Fig. 1: Global Annual Private Equity Fundraising, 2011 - 2017



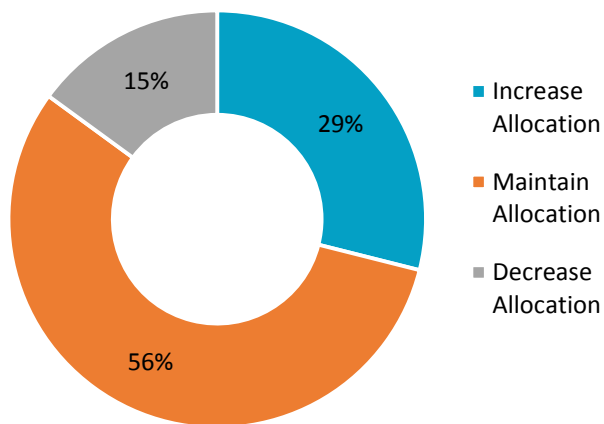
Source: Preqin Private Equity Online

Fig. 2: Private Equity Dry Powder, 2009 - 2017

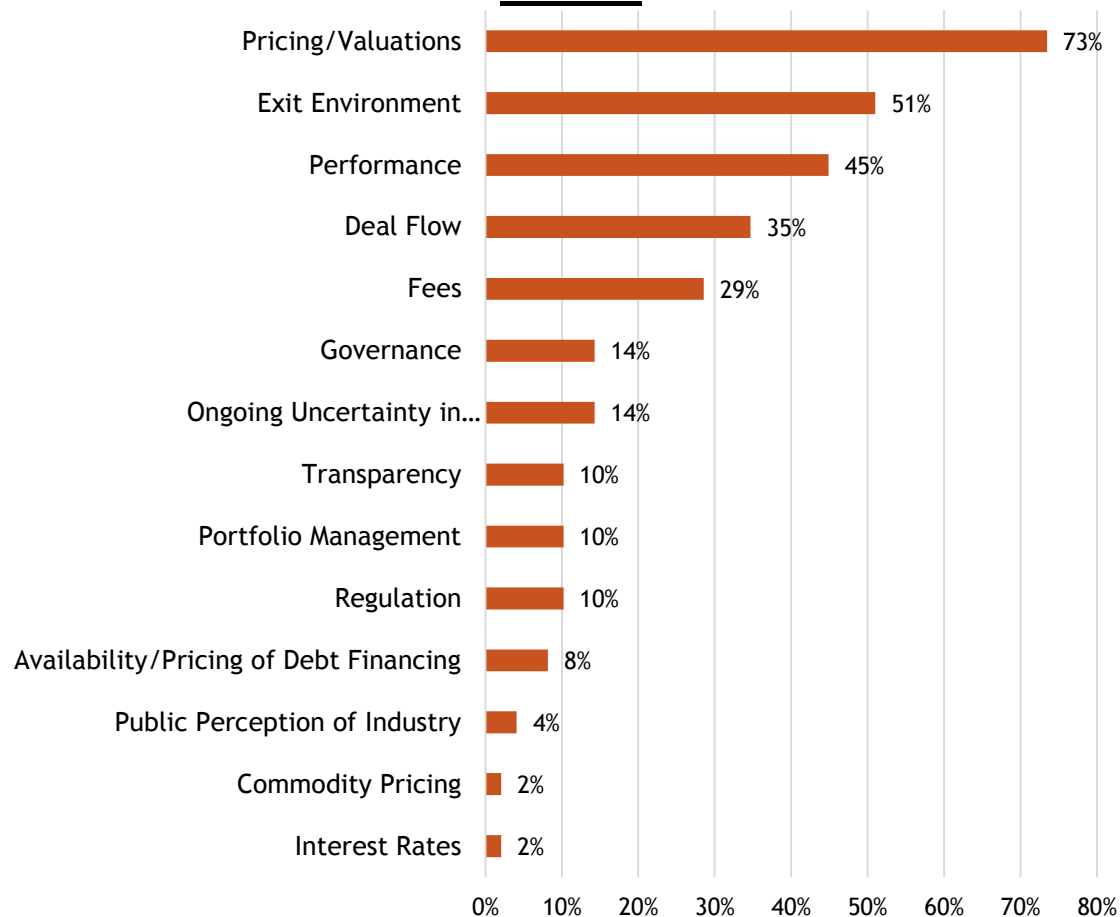


Source: Preqin Private Equity Online

## Allocation Intentions over the Longer Term



## Investor Views on the Key Issues - Next 12 Months



# TOP 10 ASIA-PACIFIC-BASED REAL ESTATE INVESTORS



Investor	Type	Country	Current allocation (USD bn)
GIC	Sovereign Wealth Fund	Singapore	24,752
National Pension Service	Public Pension Fund	South Korea	21,249
Cathay Life Insurance	Insurance Company	Taiwan	18,576
QIC	Asset Manager	Australia	13,057
Samsung Life Insurance	Insurance Company	South Korea	8,667
Hong Kong Monetary Authority	Sovereign Wealth Fund	Hong Kong	8,038
AustralianSuper	Superannuation Scheme	Australia	7,935
Fubon Life Insurance	Insurance Company	Taiwan	6,978
Daiwa Securities Group	Investment Company	Japan	6,976
Great Eastern Life Assurance	Insurance Company	Singapore	6,566



Fig. 1: Global Annual Closed-End Private Real Estate Fundraising, 2011 - 2017

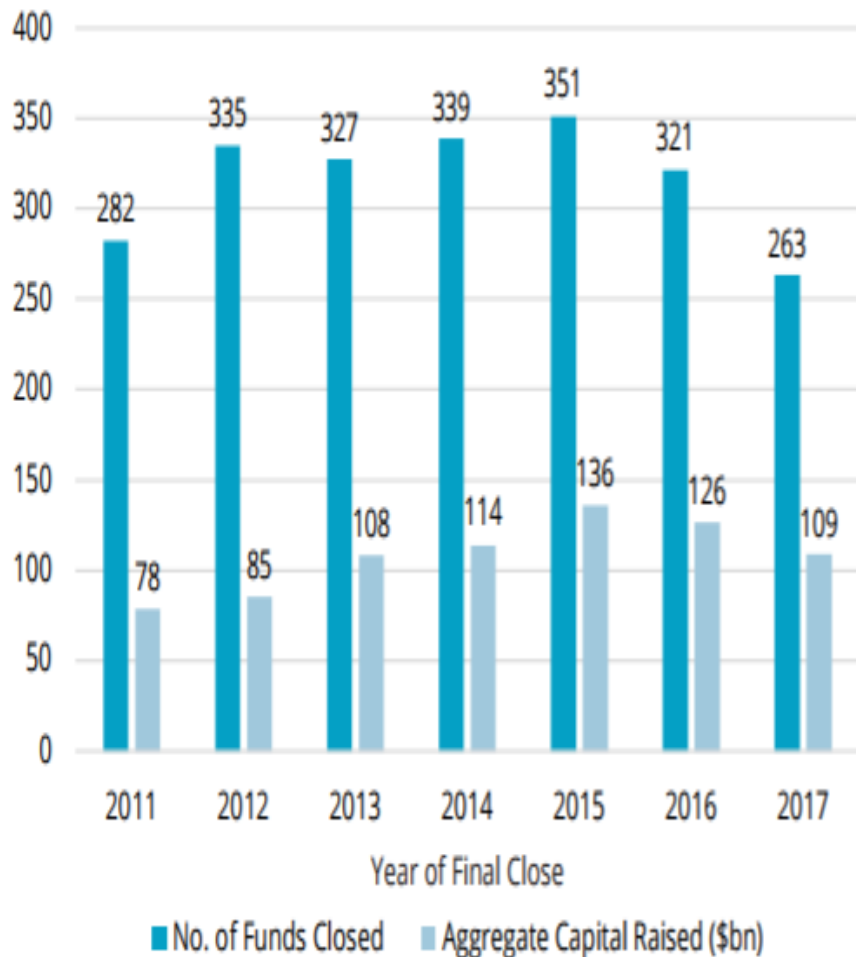
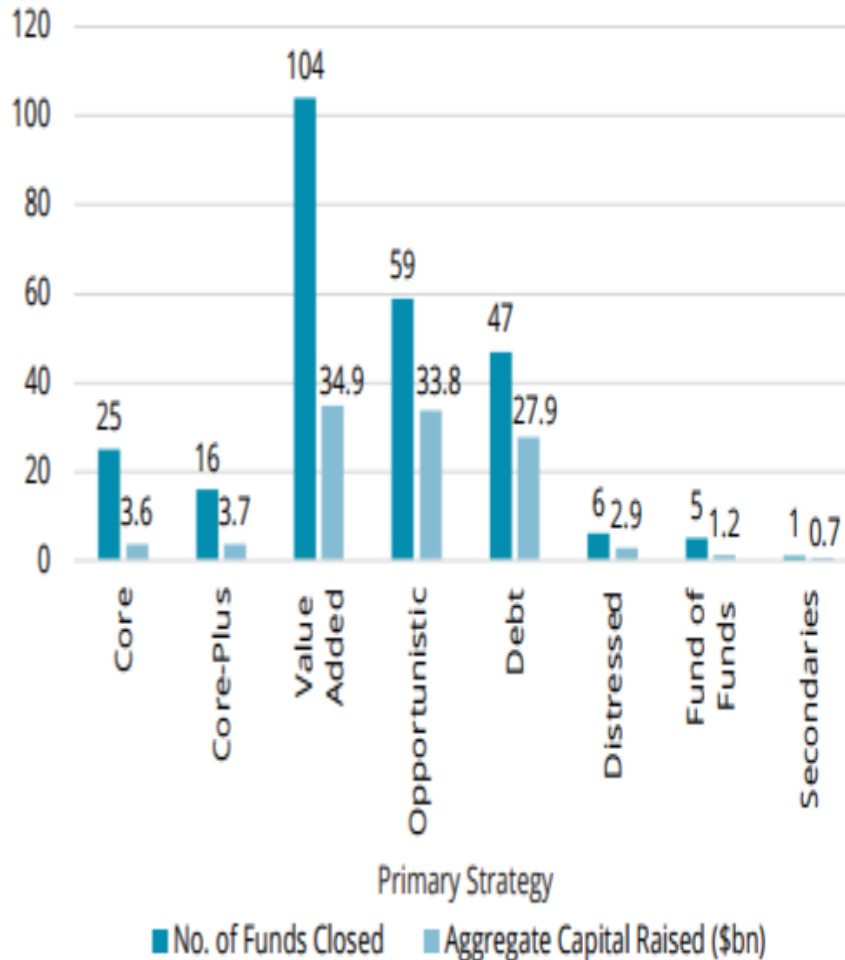


Fig. 2: Closed-End Private Real Estate Fundraising in 2017 by Primary Strategy



# TOP 10 ASIA-PACIFIC-BASED INFRA INVESTORS



Investor	Type	Country	Current allocation (USD bn)
National Pension Service	Public Pension Fund	South Korea	16,434
Khazanah Nasional	Sovereign Wealth Fund	Malaysia	8,660
AustralianSuper	Superannuation Scheme	Australia	7,977
Future Fund	Sovereign Wealth Fund	Australia	7,818
Fubon Life Insurance	Insurance Company	Taiwan	5,644
QIC	Asset Manager	Australia	5,539
Harris Fraser	Wealth Manager	Hong Kong	5,250
Kyobo Life Insurance	Insurance Company	South Korea	5,014
First State Super	Superannuation Scheme	Australia	4,558
QSuper	Superannuation Scheme	Australia	4,371

# INFRASTRUCTURE

Fig. 1: Global Annual Unlisted Infrastructure Fundraising, 2011 - 2017

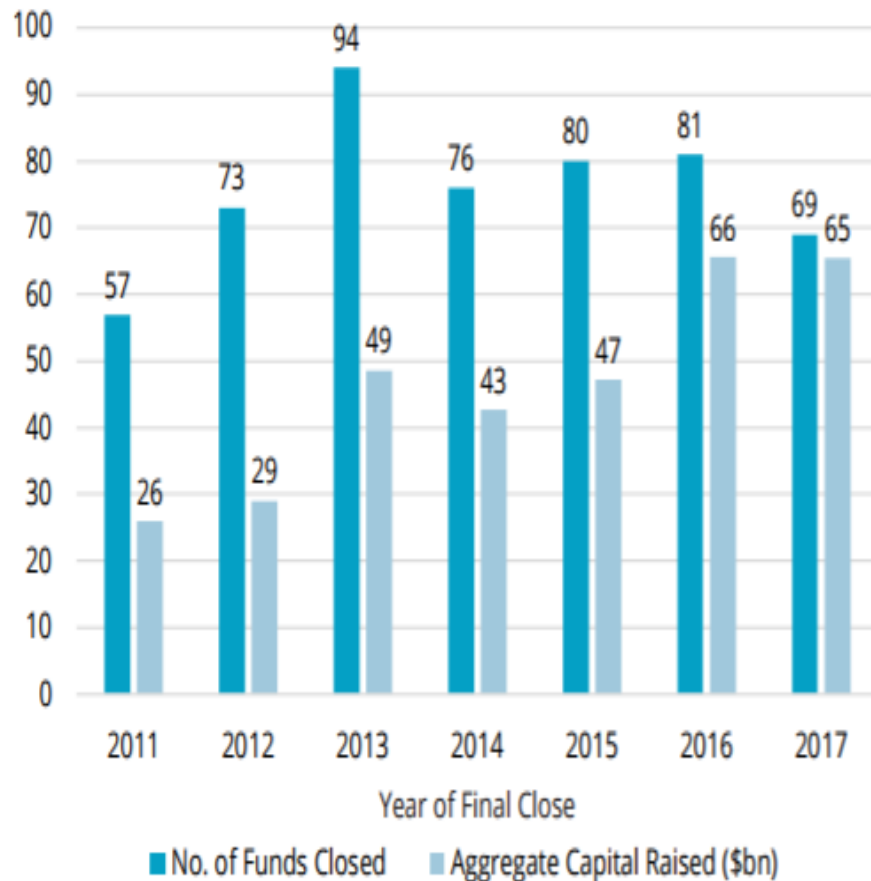
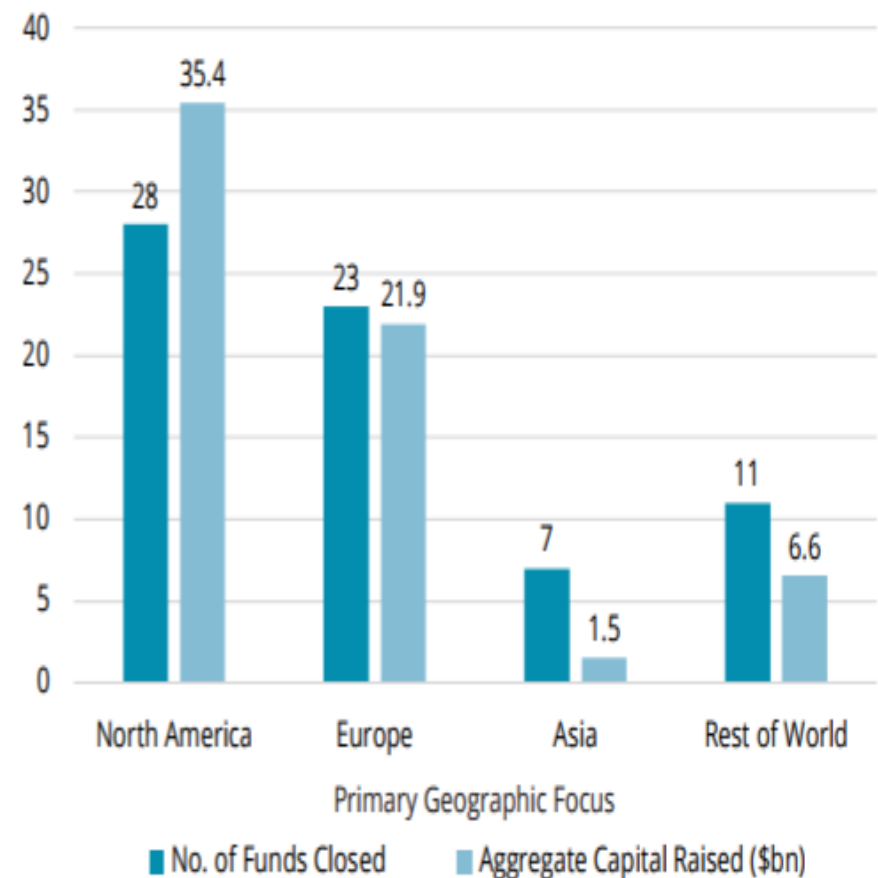


Fig. 2: Unlisted Infrastructure Fundraising in 2017 by Primary Geographic Focus



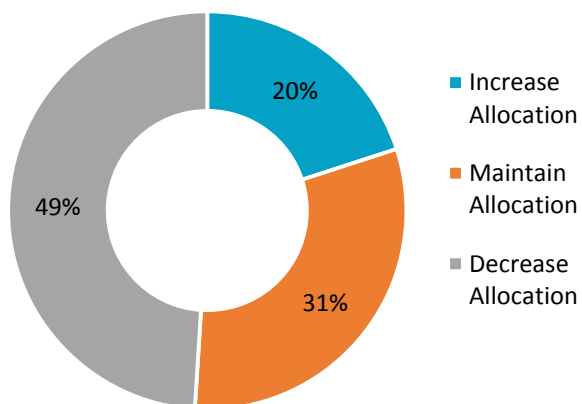
# TOP 10 ASIA-PACIFIC-BASED HF INVESTORS



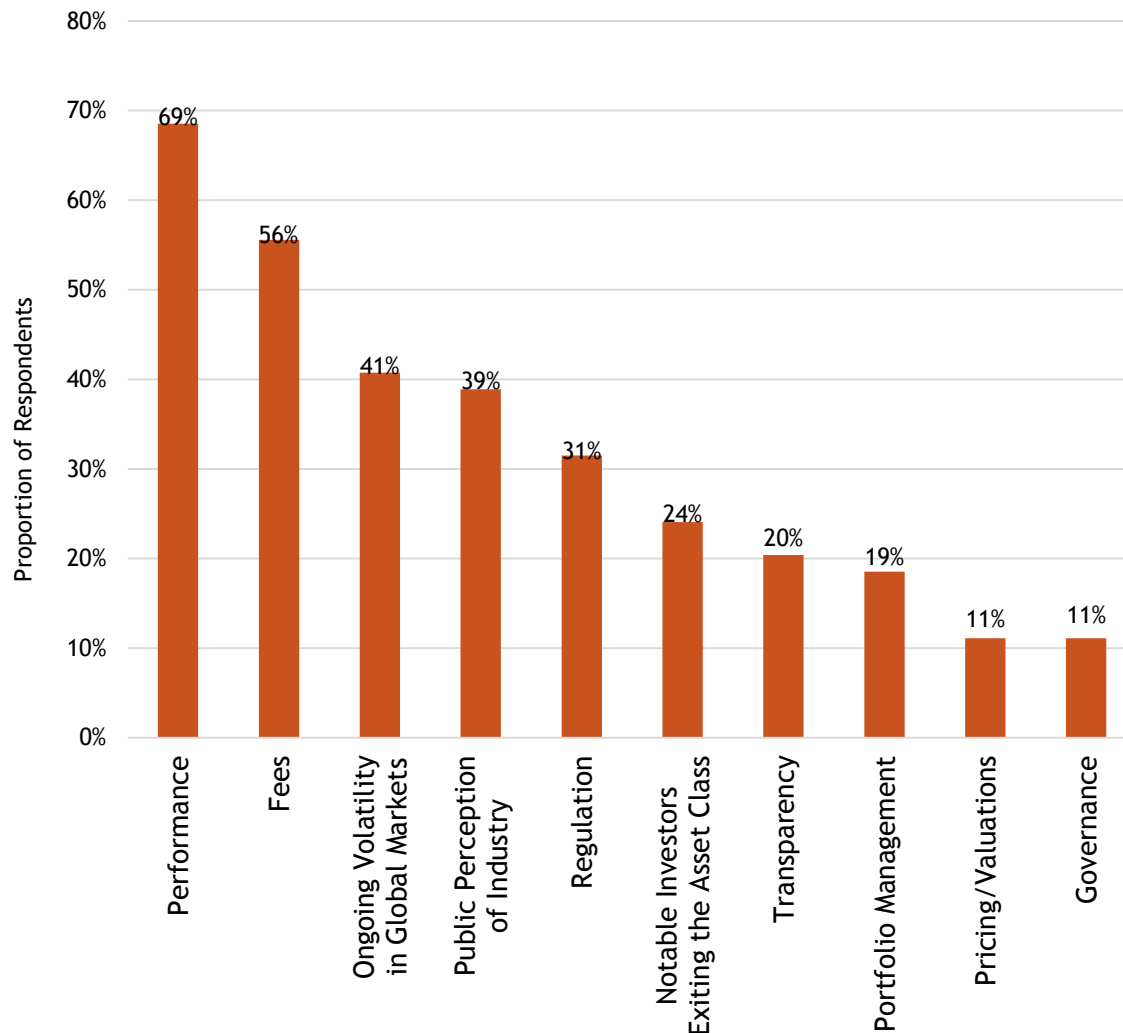
Investor	Type	Country	Current allocation (USD bn)
China Investment Corporation	Sovereign Wealth Fund	China	34.168
Future Fund	Sovereign Wealth Fund	Australia	15.534
GIC	Sovereign Wealth Fund	Singapore	10.608
Korea Investment Corporation	Sovereign Wealth Fund	South Korea	4.986
Pension Fund Association	Asset Manager	Japan	4.287
Japan Post Bank	Bank	Japan	4.270
Gopher Asset Management	Family Office - Multi	China	3.891
Dai-ichi Life Insurance	Insurance Company	Japan	3.042
CMBC Private Banking	Wealth Manager	China	2.250
Victorian Funds Management Corporation	Asset Manager	Australia	2.196

# HEDGE FUNDS

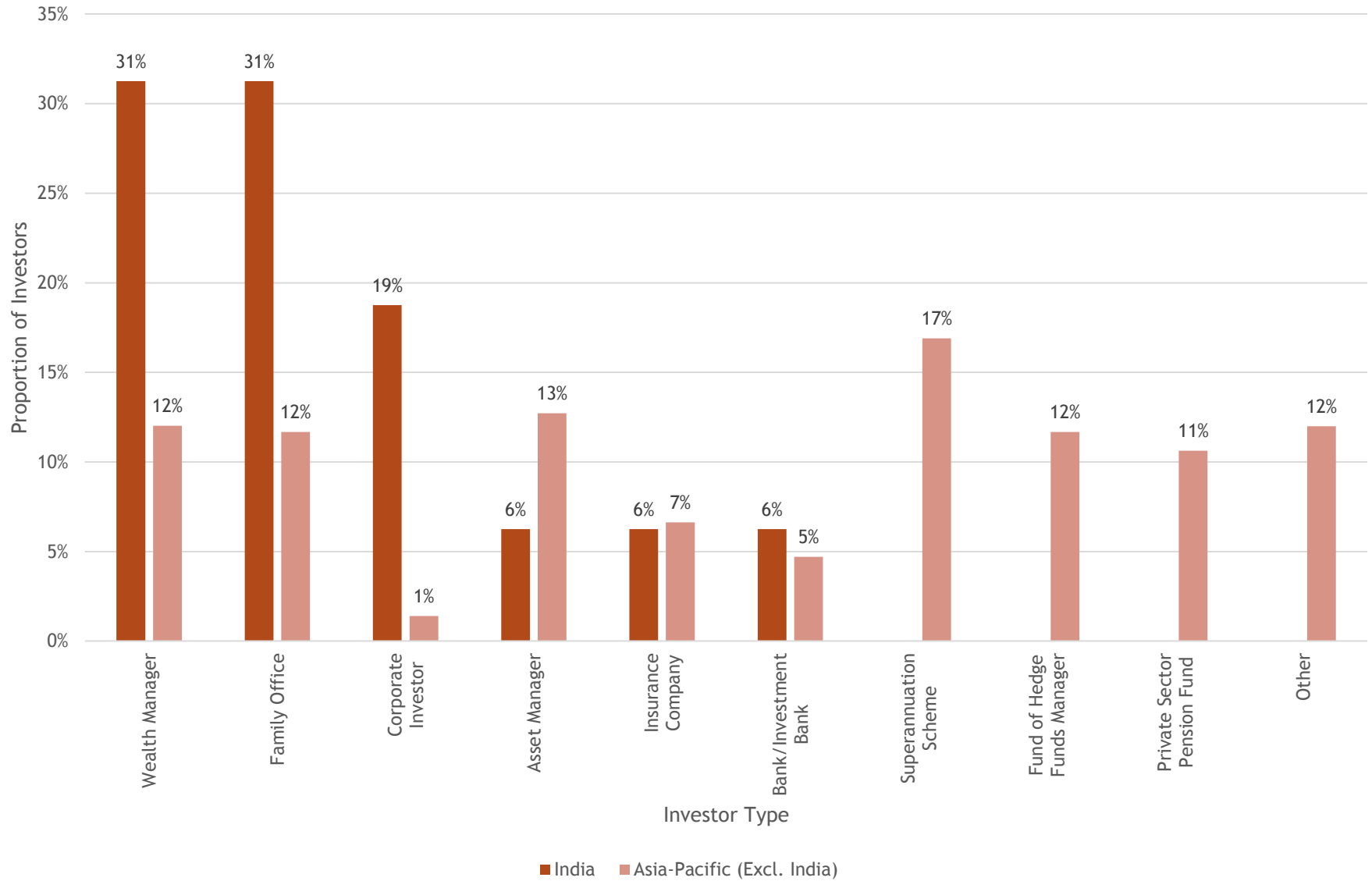
## Allocation Intentions over the Longer Term



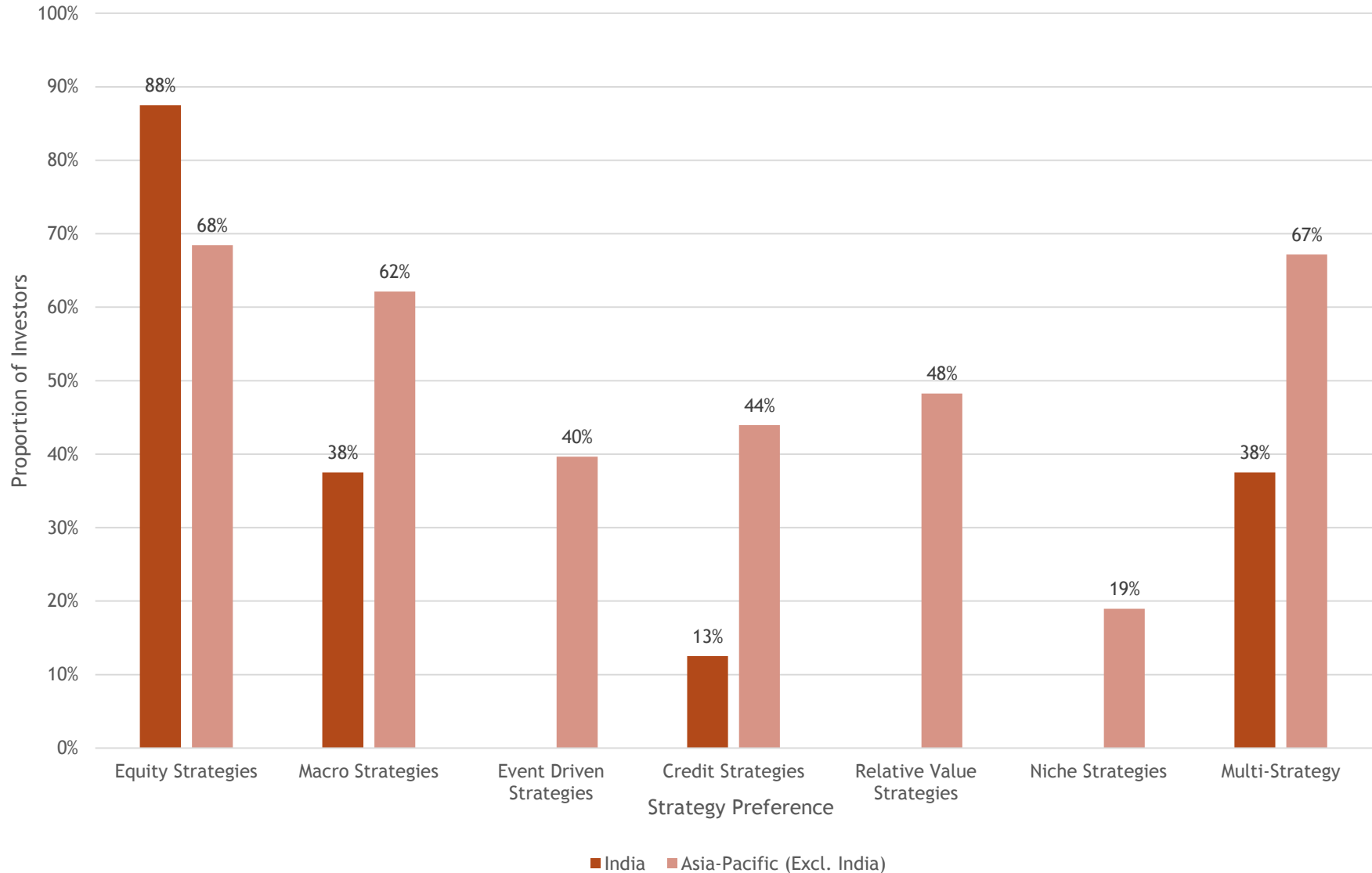
## Investor Views on the Key Issues - Next 12 Months



# ASIA-PACIFIC BASED HF INVESTORS BY TYPE AND LOCATION



# STRATEGY PREFERENCES OF AP BASED HF INVESTORS



# TOP 10 GLOBAL HEDGE FUNDS : BILLION DOLLAR CLUB



Fund Manager	Location	Year Established	Total AUM (USD mn)	AUM Date
Bridgewater Associates	US	1975	\$161,900	30-Jun-17
AQR Capital Management	US	1998	\$106,200	30-Jun-17
Man Group	UK	1983	\$57,900	30-Jun-17
J.P. Morgan Asset Management	US	1974	\$49,000	30-Jun-17
Renaissance Technologies	US	1982	\$47,900	30-Jun-17
Millennium Management	US	1989	\$34,300	1-Jul-17
Standard Life Investments (Part of Aberdeen Standard Investments)	UK	1998	\$33,200	30-Jun-17
Och-Ziff Capital Management	US	1994	\$31,800	1-Jul-17
Elliott Management	US	1977	\$31,400	31-Dec-17
Two Sigma Investments	US	2002	\$30,400	1-Jan-17



# TOP 10 ASIA PACIFIC HEDGE FUNDS : BILLION DOLLAR CLUB



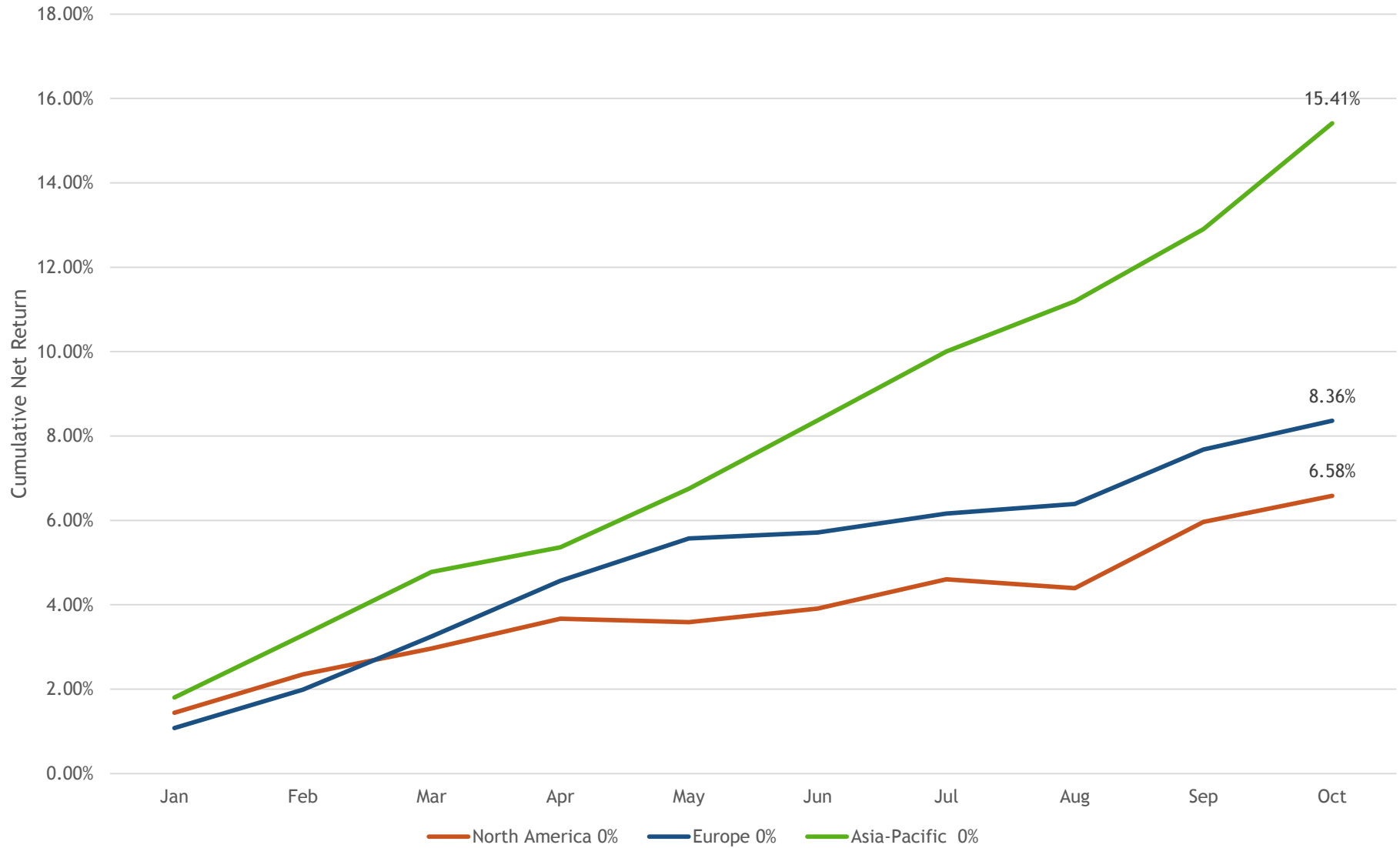
Fund Manager	Location	Year Established	Total AUM (USD mn)	AUM Date
Hillhouse Capital Management	China	2005	\$17,800	31-Dec-16
Platinum Asset Management	Australia	1994	\$17,256	30-Jun-17
Value Partners	Hong Kong	1993	\$15,500	30-Jun-17
Springs Capital	China	2007	\$7,100	30-Jun-17
PAG Absolute Returns	Hong Kong	2002	\$6,593	30-Jun-17
Dymon Asia Capital	Singapore	2008	\$5,400	31-May-17
Tybourne Capital Management	Hong Kong	2010	\$5,000	31-May-17
Graticule Asset Management Asia	Singapore	2014	\$4,679	30-Jun-17
Myriad Asset Management	Hong Kong	2011	\$4,000	31-Mar-17
Ellerston Capital	Australia	2004	\$3,996	31-Aug-17

# TOP 10 GREATER CHINA BASED HEDGE FUNDS : BILLION DOLLAR CLUB



Fund Manager	Location	Year Established	Total AUM (USD mn)	AUM Date
Hillhouse Capital Management	China	2005	\$17,800	31-Dec-16
Value Partners	Hong Kong	1993	\$15,500	30-Jun-17
Springs Capital	China	2007	\$7,100	30-Jun-17
PAG Absolute Returns	Hong Kong	2002	\$6,593	30-Jun-17
Tybourne Capital Management	Hong Kong	2010	\$5,000	31-May-17
Myriad Asset Management	Hong Kong	2011	\$4,000	31-Mar-17
Symmetry Investments LP	Hong Kong	2014	\$3,600	1-Jul-17
Cephei Capital Management	Hong Kong	2006	\$3,331	30-Jun-17
Greenwoods Asset Management	Hong Kong	2004	\$2,688	31-Jul-17
BFAM Partners	Hong Kong	2012	\$2,611	31-Aug-17

# HEDGE FUND CUMULATIVE RETURNS IN 2017



# GLOBAL BILLION DOLLAR CLUB - FOHF



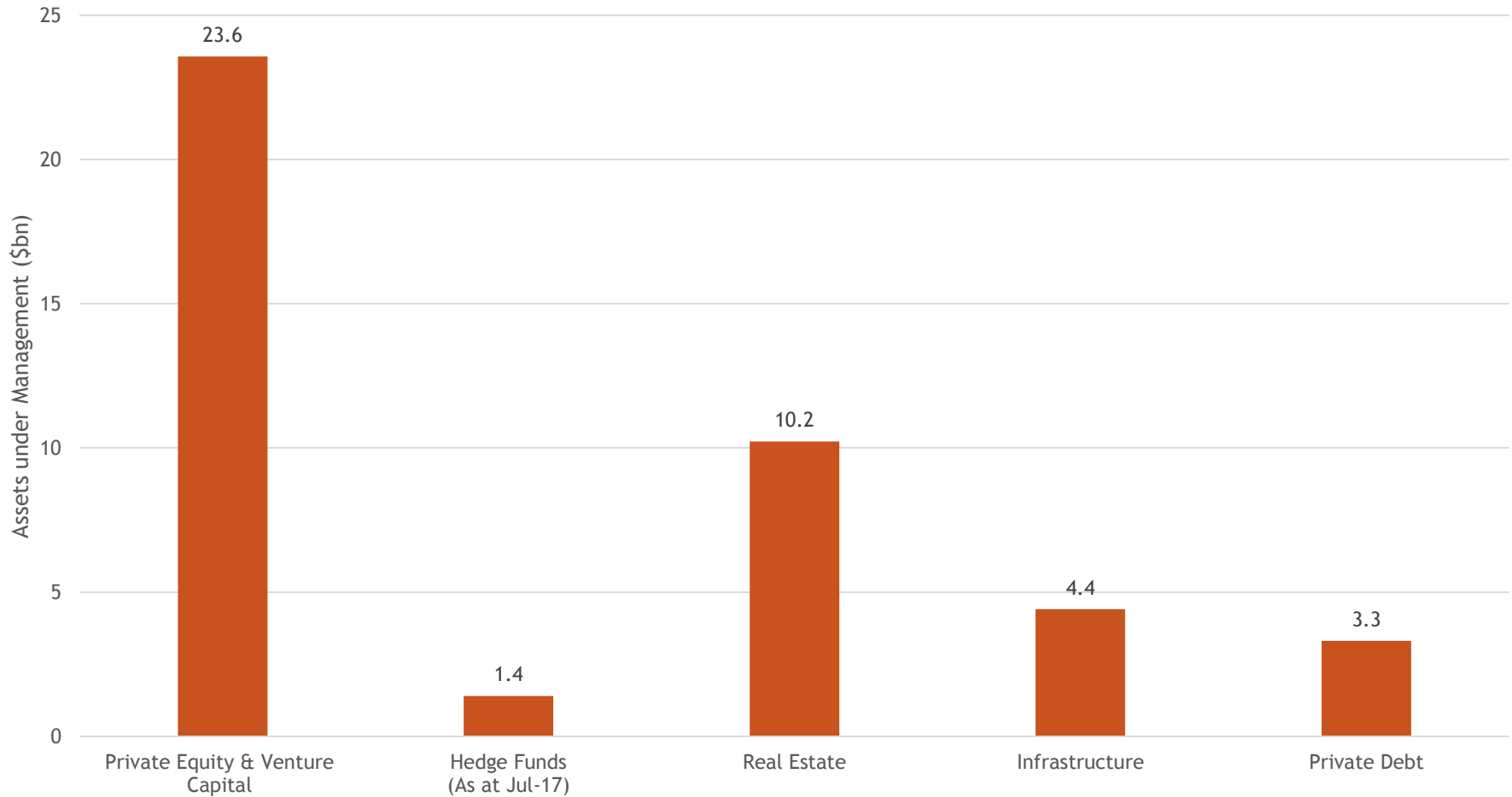
Fund Manager	Location	Year Est	Total AUM (USD mn)	AUM Date
Blackstone Alternative Asset Management	US	1990	\$72,000	30-Jun-17
UBS Hedge Fund Solutions	US	2000	\$37,400	30-Jun-17
Goldman Sachs Asset Management	US	1997	\$29,200	30-Jun-17
Grosvenor Capital Management	US	1971	\$25,900	30-Jun-17
EnTrustPermal	US	1971	\$24,400	30-Jun-17
HSBC Alternative Investments	UK	1994	\$24,200	1-Jul-17
Morgan Stanley Alternative Investment Partners	US	2000	\$23,300	30-Jun-17
BlackRock Alternative Advisors	US	1995	\$22,900	1-Jul-17
PAAMCO Prisma*	US	2000	\$16,900	31-Dec-17
Man FRM	UK	1991	\$16,200	1-Jan-17

# KEY CHALLENGES FOR FUND MANAGERS

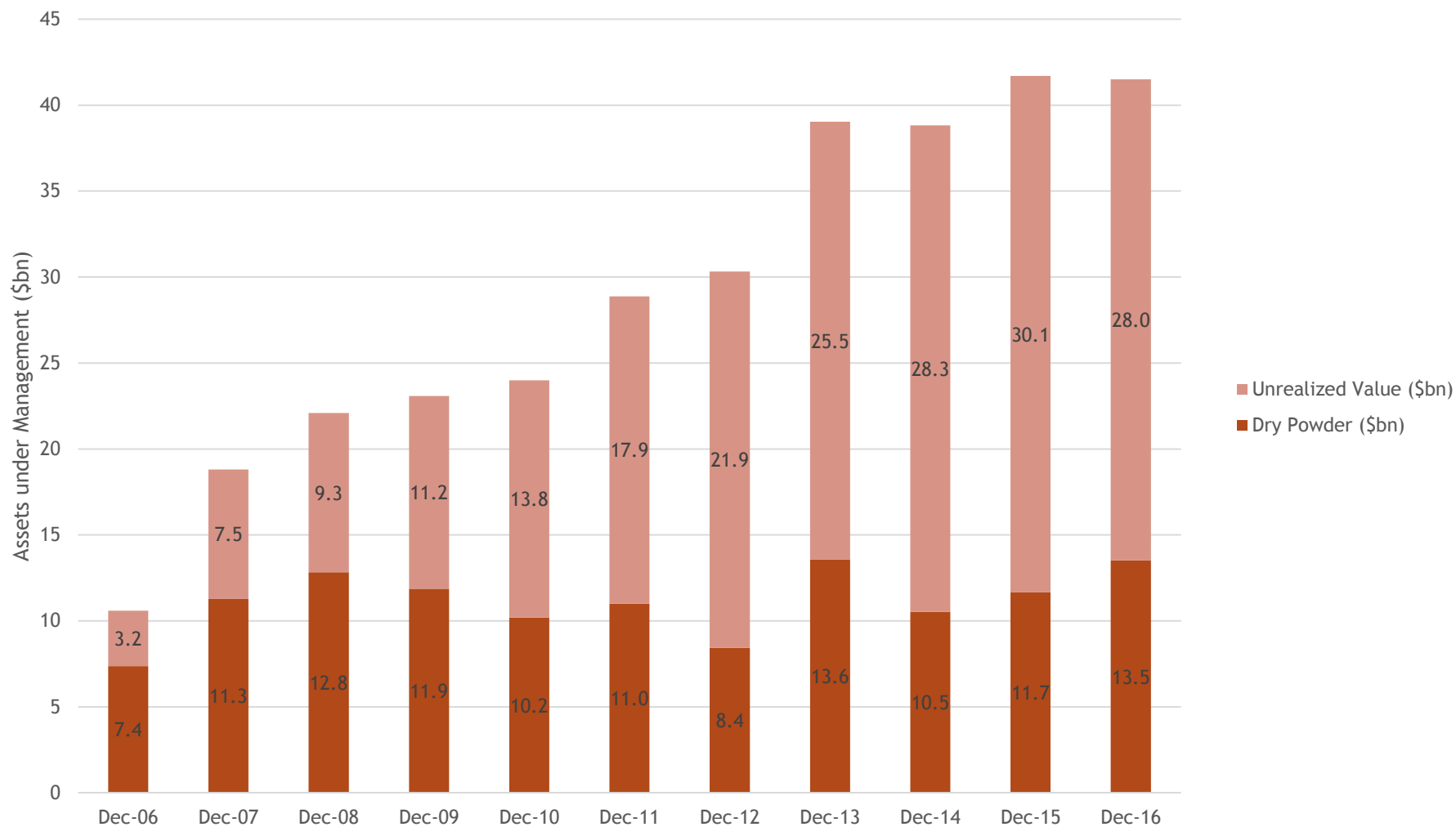


Private Equity	Venture Capital	Real Estate	Infrastructure	Hedge Funds
Pricing	Pricing	Pricing	Pricing	Performance
Deal Flow	Exit	Deal Flow	Deal Flow	Fees
Exit	Performance	Performance	Performance	Ongoing Vol

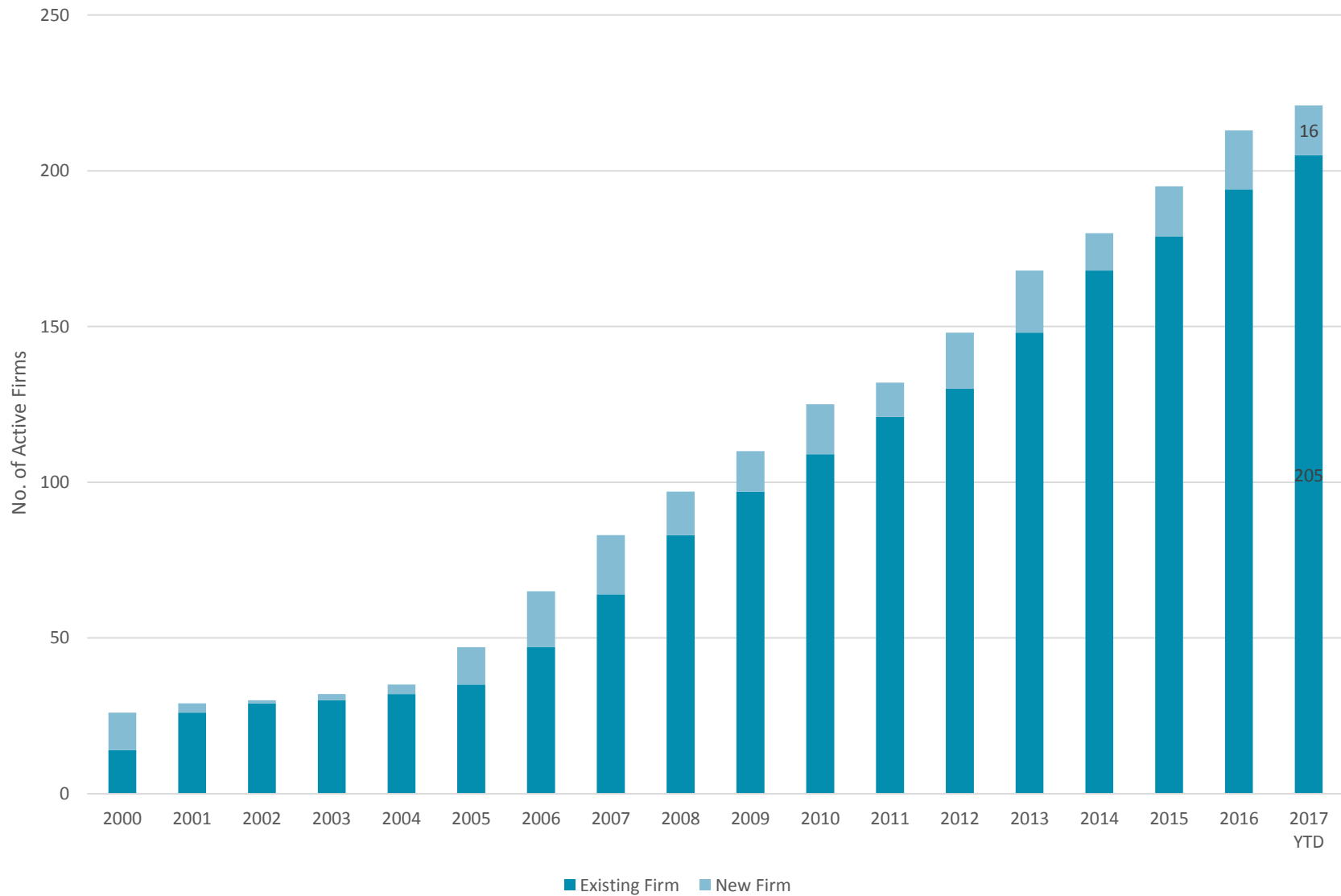
# INDIA BASED ALTERNATIVE ASSETS AUM (AS AT DEC 2016)



# INDIA BASED PRIVATE CAPITAL (2006 - 2016)



# INDIA BASED PRIVATE CAPITAL FIRMS – 2000 – YTD SEPT 2017



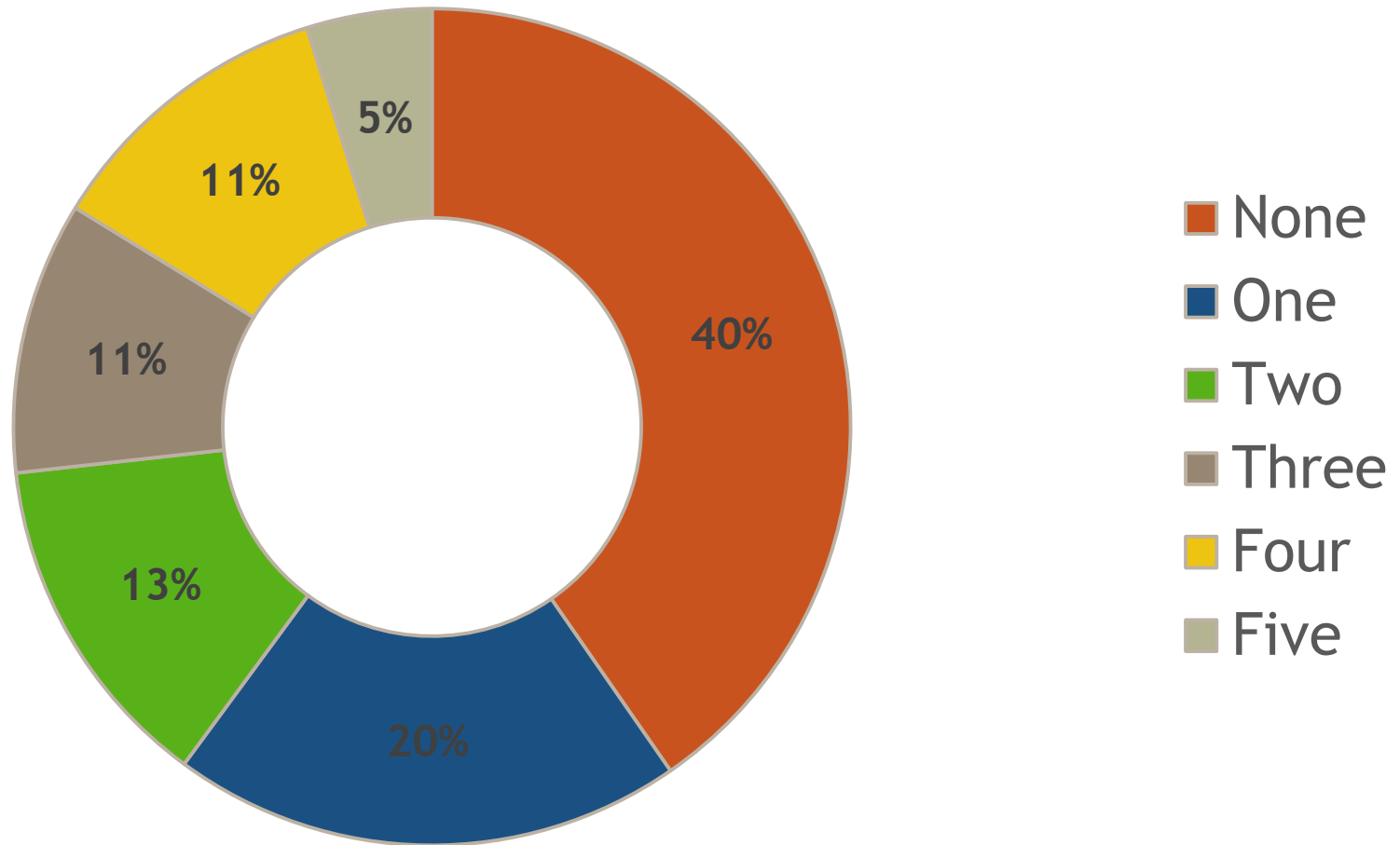


# TOP 10 PERFORMING INDIA-BASED PRIVATE CAPITAL FUNDS (ALL VINTAGES)

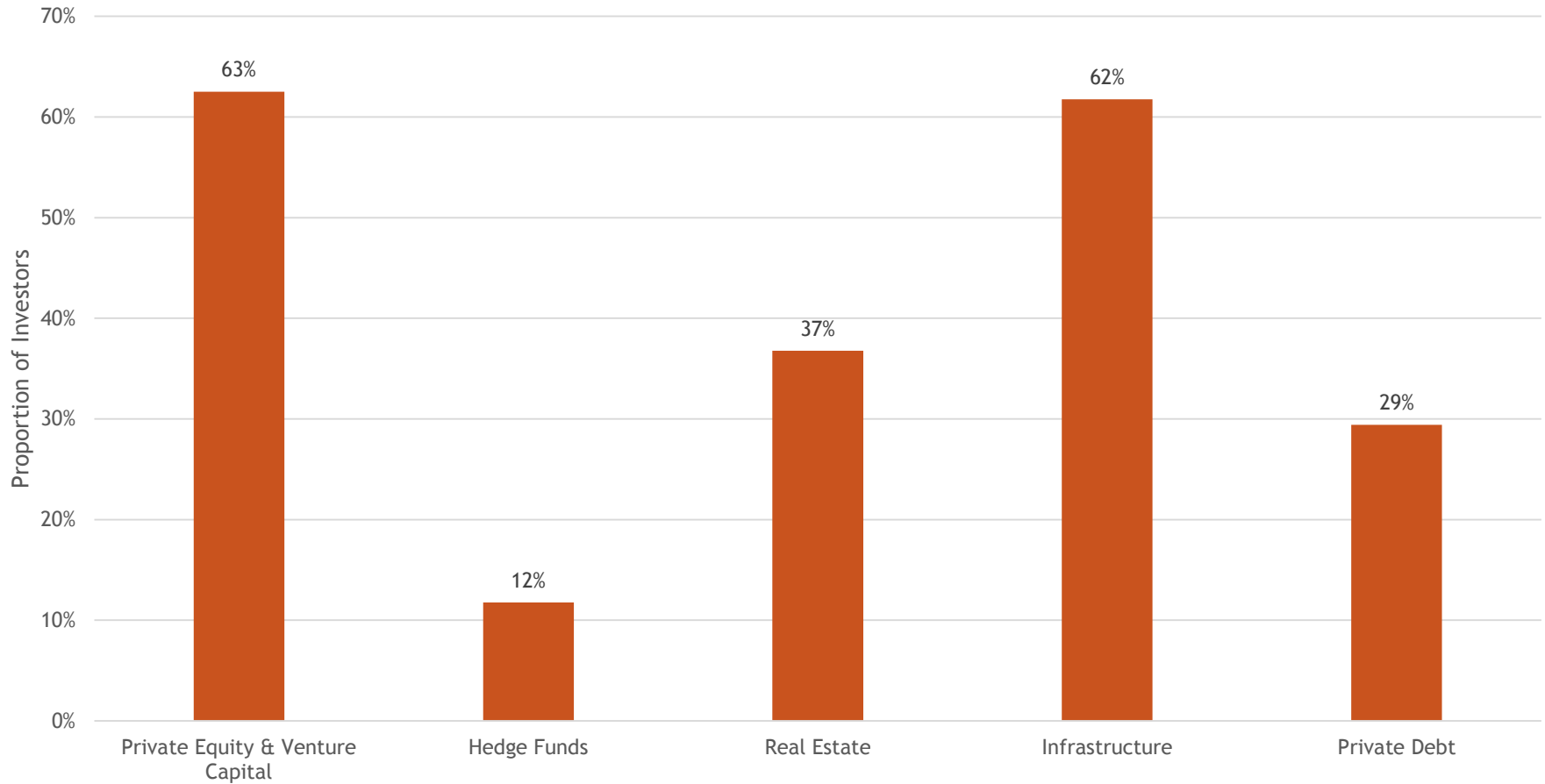


Fund	Firm	Vintage	Fund Size (mn)	Fund Type	Net IRR (%)	Geographic Focus	Date Reported
ChrysCapital III	ChrysCapital	2004	258 USD	Growth	89.2	India, US	30-Sep-17
India Value Fund I	True North	2000	35 USD	Buyout	34	India	30-Sep-17
Baring India Private Equity Fund	Baring Private Equity Partners (India)	1998	40 USD	Growth	32	Bangladesh, India, South Asia, Sri Lanka	30-Sep-17
ASK India Real Estate Special Opportunities Fund (Offshore)	ASK Property Investment Advisors	2014	82 USD	Real Estate	27	Asia, BRIC, Emerging Markets, India, South Asia	31-Mar-16
ASK Real Estate Special Opportunities Portfolio I	ASK Property Investment Advisors	2009	3,170 INR	Real Estate	23	India	31-Mar-16
Milestone Domestic Scheme III	Milestone Capital Advisors	2012	3,940 INR	Real Estate	21	India	30-Sep-16
Inventus Capital Partners I	Inventus Capital Partners	2007	52 USD	Venture Capital (All Stages)	18.8	India	31-Mar-17
ChrysCapital I	ChrysCapital	1999	64 USD	Growth	17.9	India, Mauritius	30-Sep-17
YourNest Angel Fund	YourNest Capital Advisors	2012	900 INR	Early Stage: Start-up	17.8	India	30-Jun-17
India Asset Growth Fund	Essel Finance	2014	2,094 INR	Real Estate	17.3	India	31-Dec-16

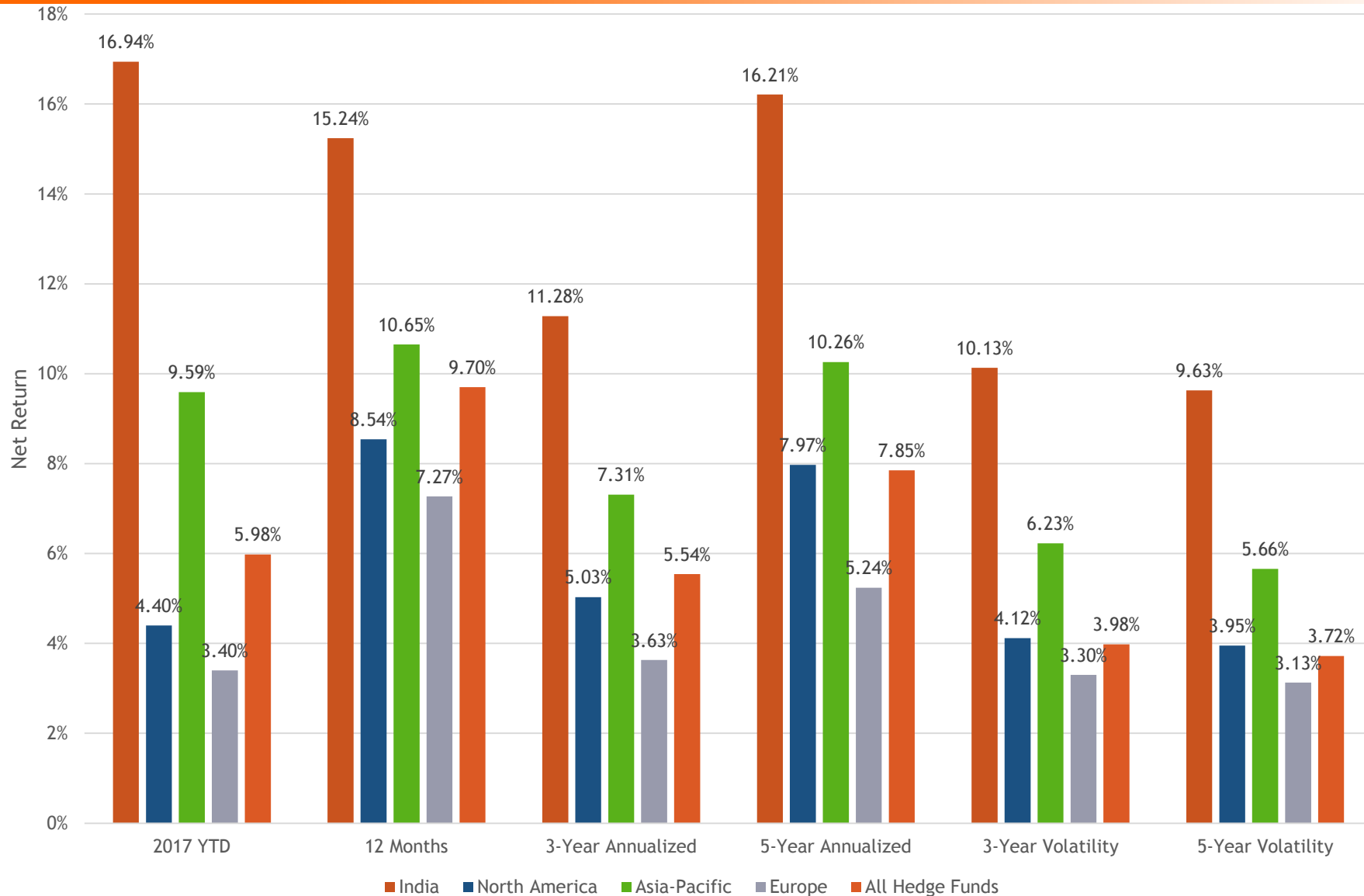
# INDIA-BASED INSTITUTIONAL INVESTORS BY NUMBER OF ALTERNATIVE ASSET CLASSES INVESTED (AS AT AUG 2017)



# INDIA-BASED INSTITUTIONAL INVESTORS ALLOCATION TO EACH ALTERNATIVE ASSET CLASS (AS AT AUG 2017)



# PERFORMANCE OF HEDGE FUNDS BY MANAGER LOCATION



# Mind the Gap

Exceed expectations of  
clients and regulators.

Leverage your  
alternatives knowledge

Gain credibility



STOCKS  
BONDS  
CASH

**CAIA**  
ASSOCIATION<sup>®</sup>  
GET SMART. STAY SMART.

HEDGE FUNDS  
REAL ASSETS  
PRIVATE EQUITY  
COMMODITIES  
DERIVATIVES

**Why Alternative Investments? ... Investor Appetite**

**Asia Pacific Investors ... Who are they?**

**A Dive into the Global Hedge Fund Industry**

**Due Diligence**

**Professional Development**

**What's next?**

# A Dive into the Global Hedge Fund Industry



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# WHAT A HEDGE FUND IS NOT :

---



Numerous myths abound! : –

- Hedge Funds were not the cause of the GFS in 2008, this was a banking crisis
- Less than 1% of all hedge fund assets under management are from pure/dedicated short selling
- The Hedge Fund industry is regulated
- The industry is NOT volatile and dangerous
- Leverage levels employed by the Hedge Fund industry remains modest
- The Industry is NOT shady and secretive!

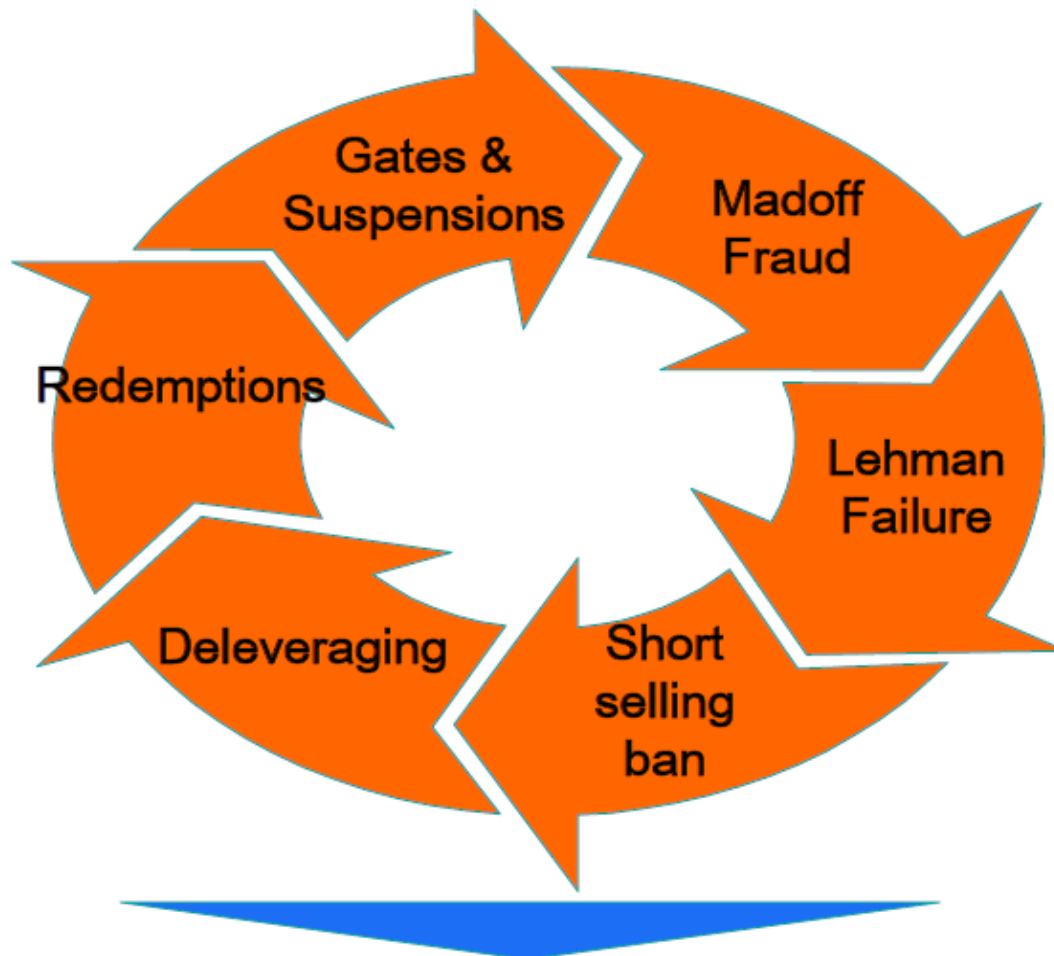


# The Global Financial Crisis .... How bad was it?



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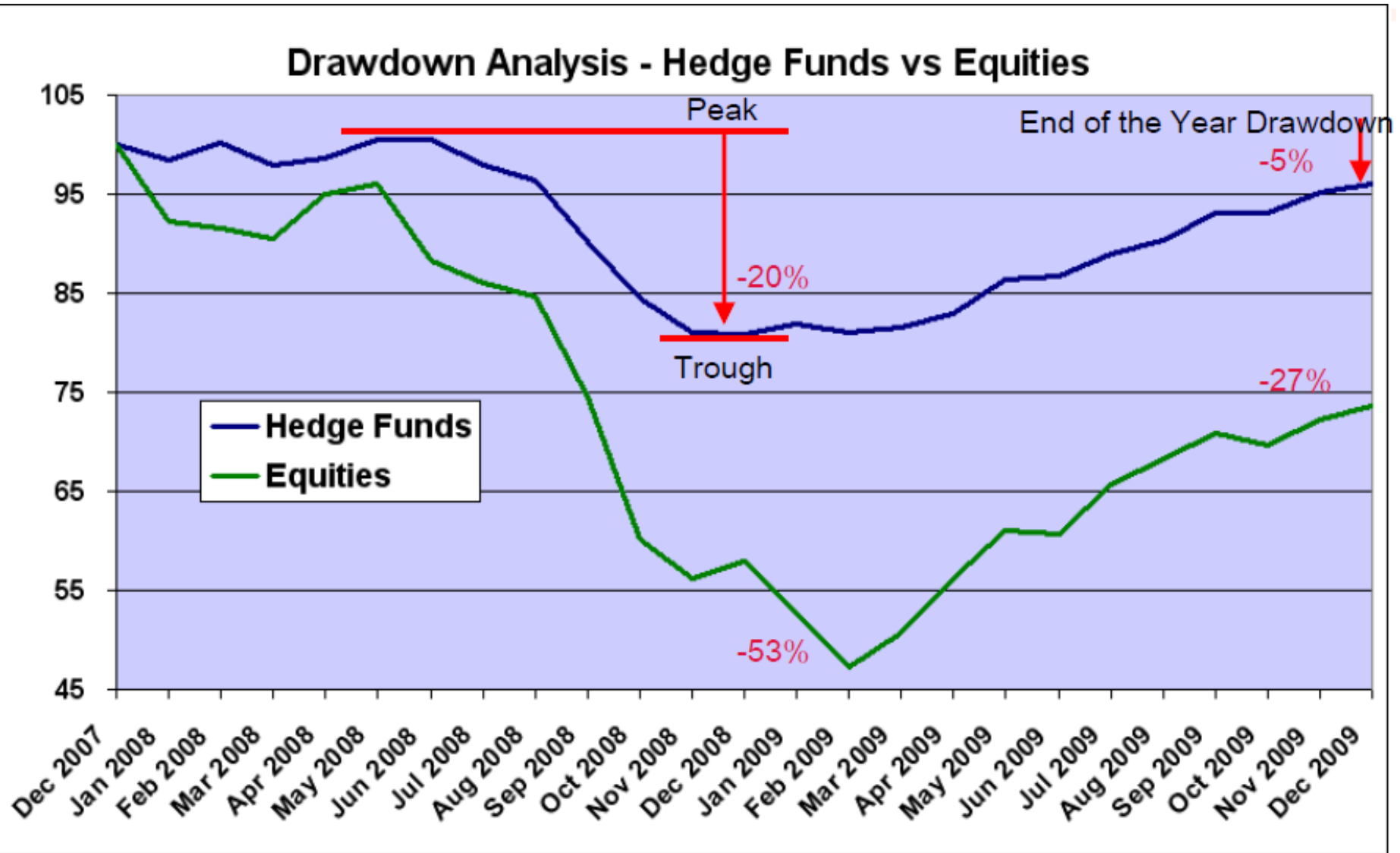
# A RECAP : THE GREAT FINANCIAL CRISIS



Strategy	Worst Month
Equity Market Neutral	-40%
Emerging Markets	-23%
<b>S&amp;P 500</b>	<b>-20%</b>
<b>MSCI World</b>	<b>-17%</b>
Fixed Income Arbitrage	-14%
Convertible Arbitrage	-13%
Distressed	-12%
Event Driven	-12%
Global Macro	-12%
Multi-Strategy	-12%
Long/Short Equity	-11%
Dedicated Short Bias	-10%
Managed Futures	-9%
<b>Broad HF Index</b>	<b>-8%</b>
Multi-Strategy	-7%
Risk Arbitrage	-6%

2000 hedge funds liquidated (25%), industry benchmarks lost 20%  
Industry AUM down \$1.2 trillion (42%), massive risk & leverage reduction  
Huge loss of investor confidence and lots of litigation

# What Happened Performance Wise?



Hedge Funds : Credit Suisse / Tremont Hedge Fund Index

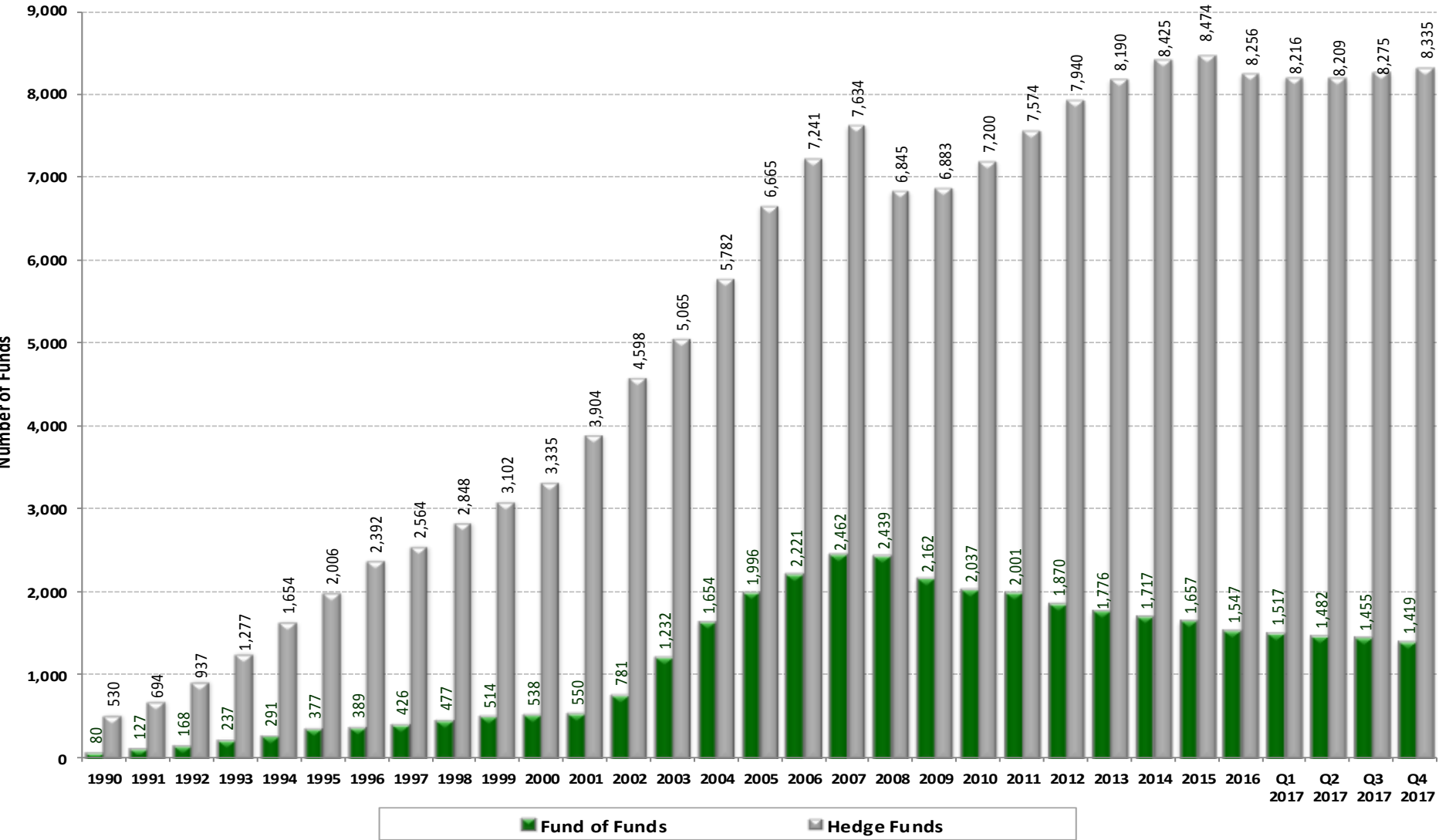
Equities : MSCI World Index

# Hedge Funds ....



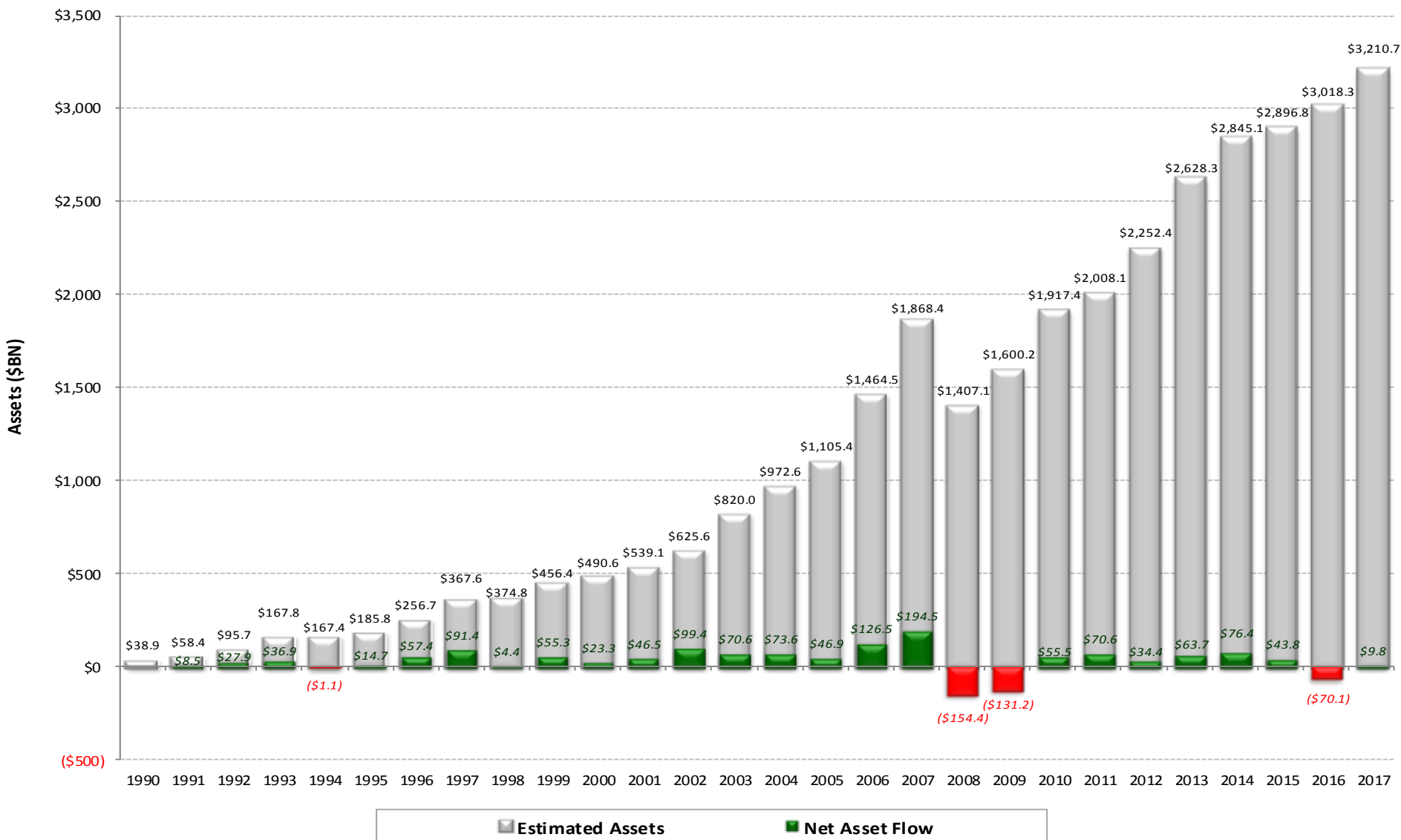
Chartered Alternative Investment Analyst Association

# GLOBAL NUMBER OF FUNDS: HEDGE FUNDS VS FUND OF FUNDS



Source : HFR Q4 2017 Analysis

# GLOBAL HEDGE FUND - GROWTH OF ASSETS / NET ASSET FLOW

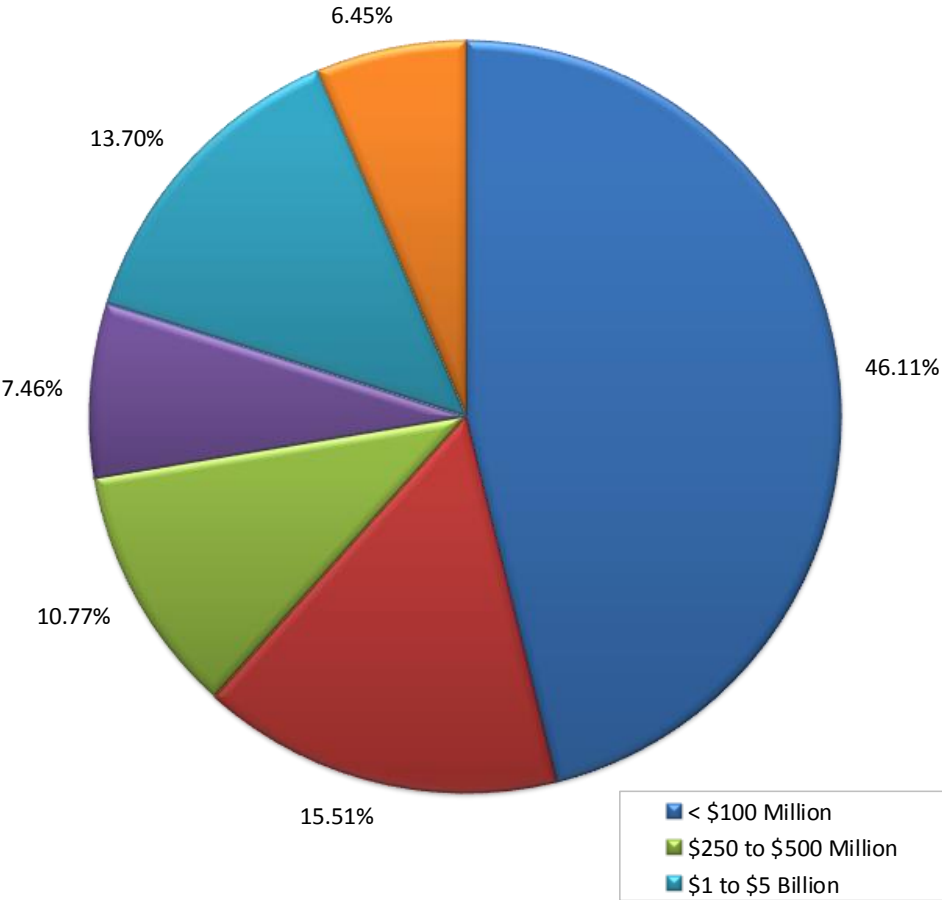


Source : HFR 4Q 2017 Analysis

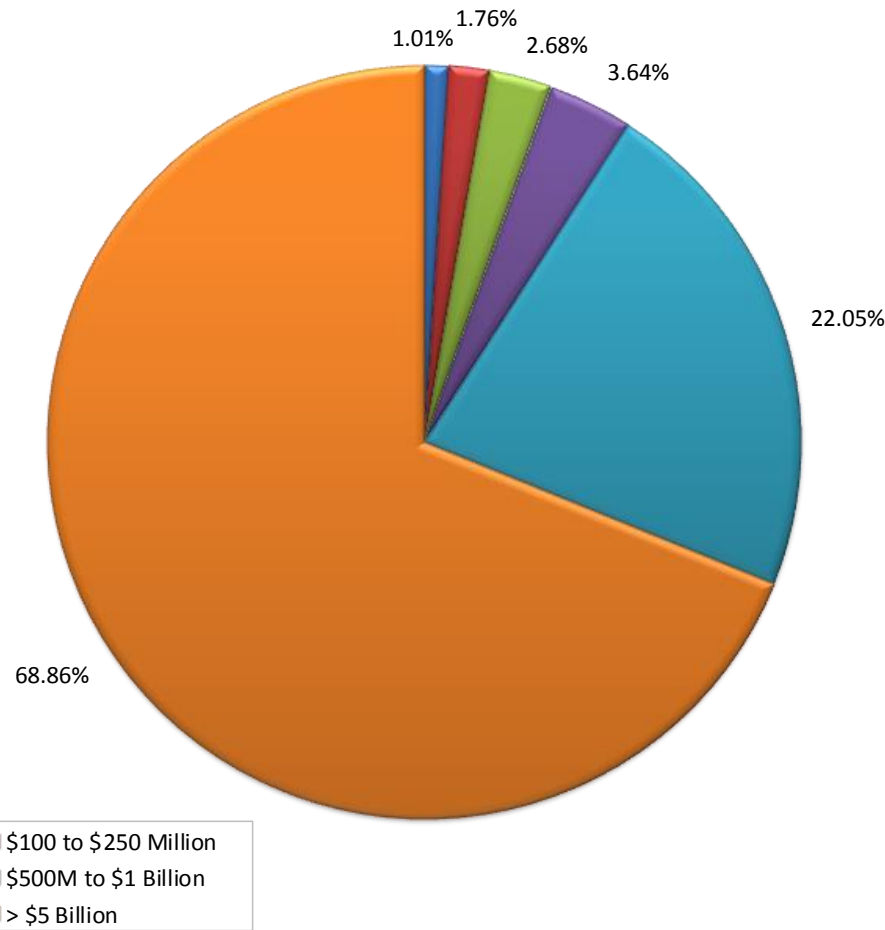
# GLOBAL HF – DISTRIBUTION OF ASSETS BY FIRM AUM



By # Firms



By Firm AUM Size

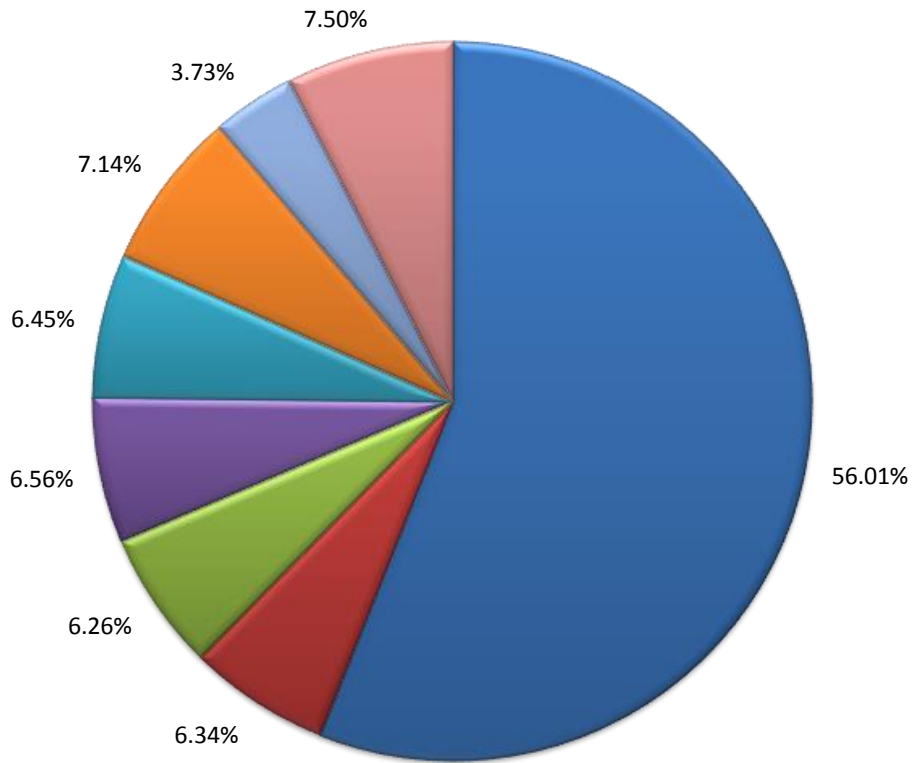


- < \$100 Million
- \$100 to \$250 Million
- \$250 to \$500 Million
- \$500M to \$1 Billion
- \$1 to \$5 Billion
- > \$5 Billion

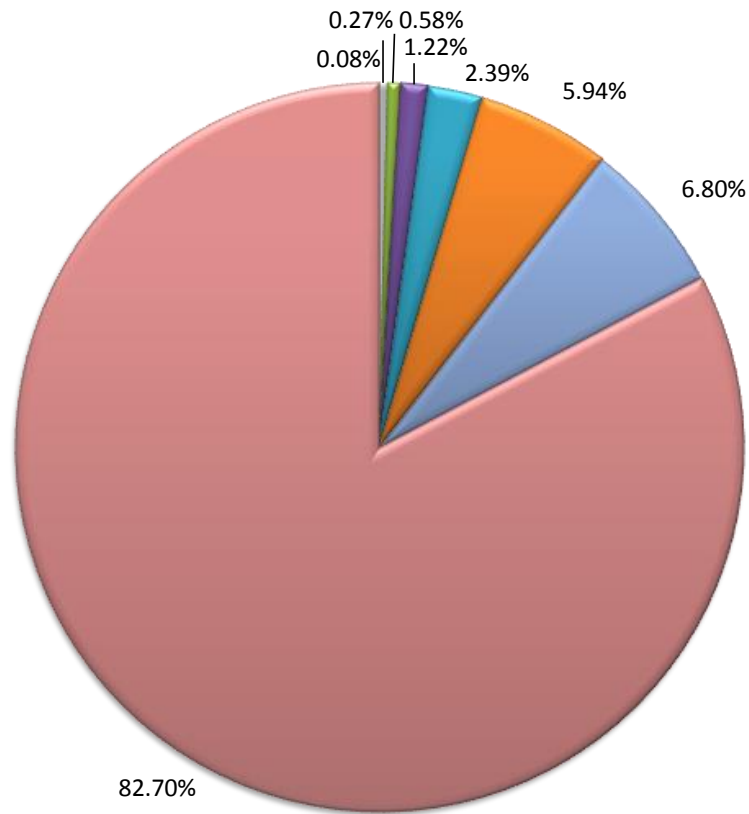
# GLOBAL HF - DISTRIBUTION OF ASSETS BY FUND AUM



**By # Funds**



**By Fund AUM Size**



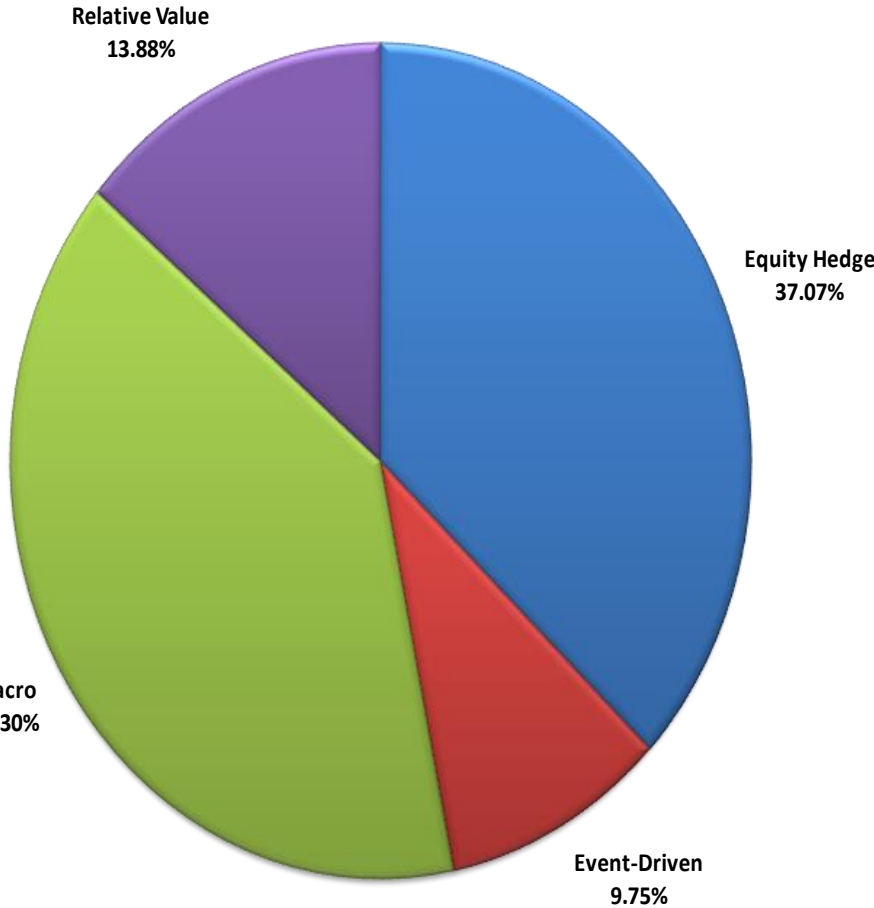
- < \$10 Million
- \$25 to \$50 Million
- \$100 to \$200 Million
- \$500M to \$1 Billion
- \$10 to \$25 Million
- \$50 to \$100 Million
- \$200 to \$500 Million
- > \$1 Billion



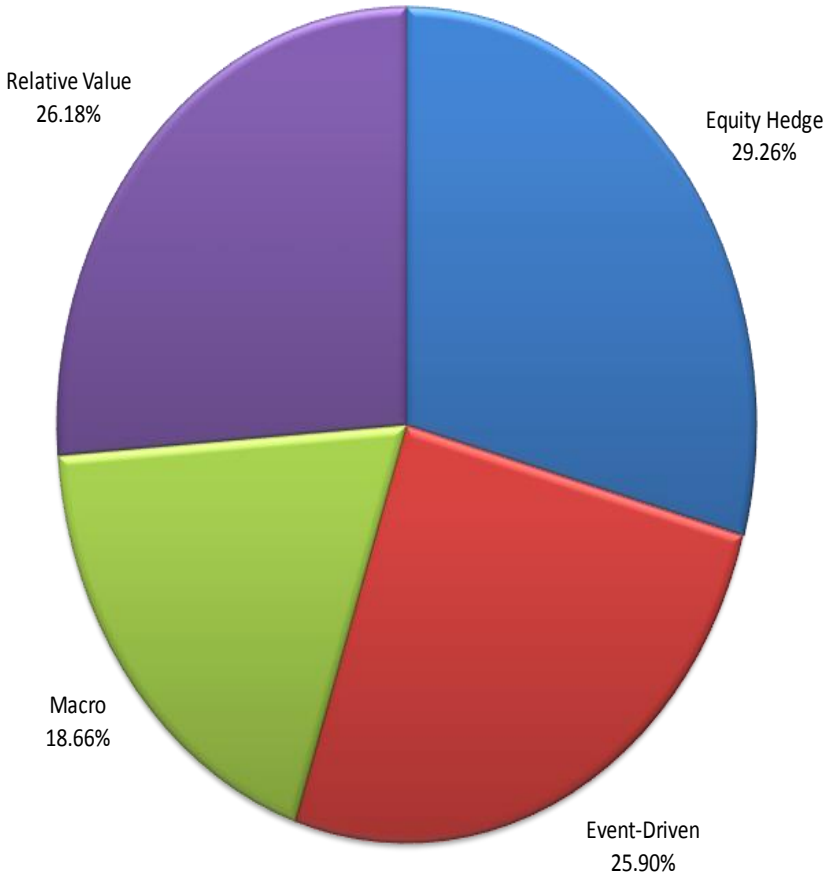
# GLOBAL HF – STRATEGY COMPOSITION BY AUM



## Q4 1990



## Q4 2017

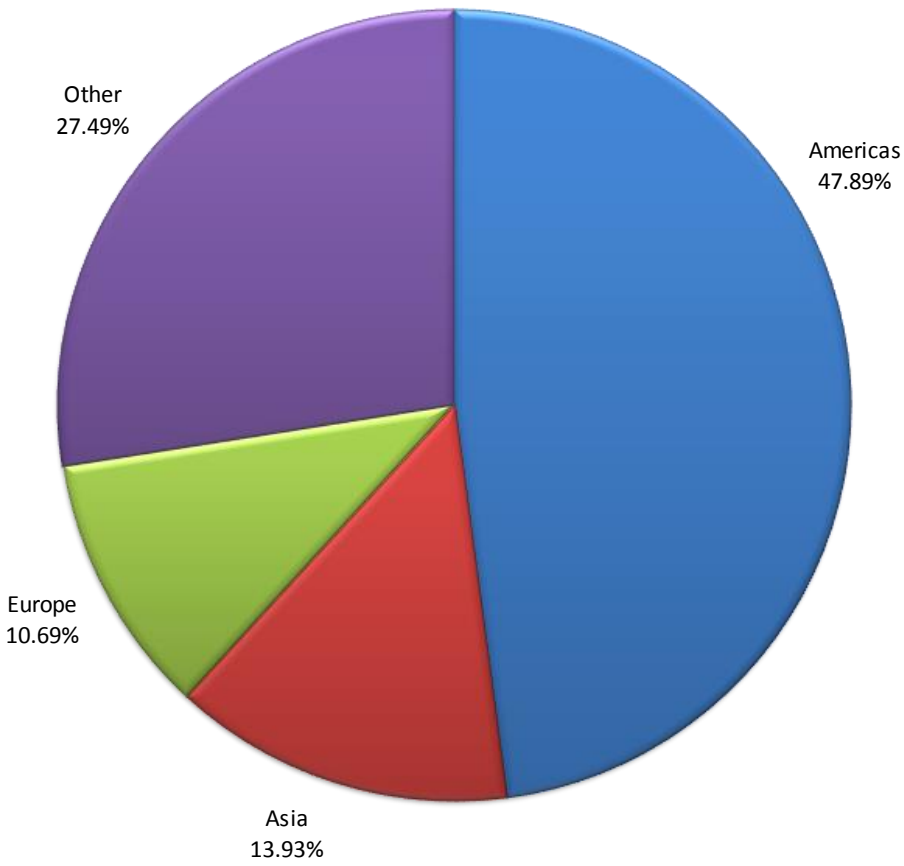


Source : HFR 4Q2017 Analysis

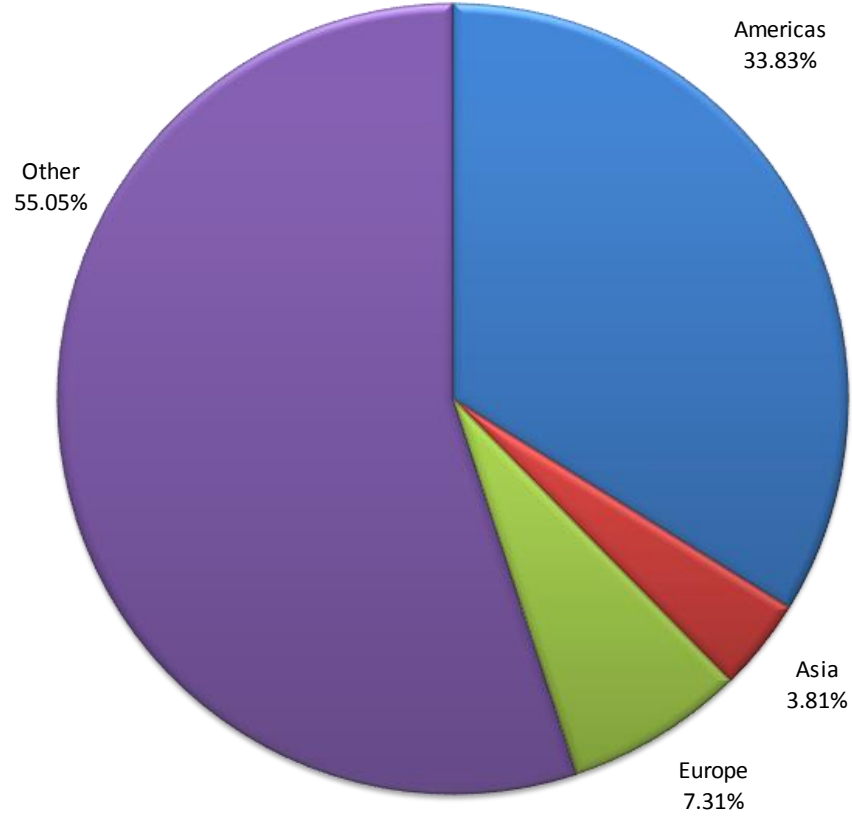
# DISTRIBUTION OF INDUSTRY BY REGION INVESTMENT FOCUS



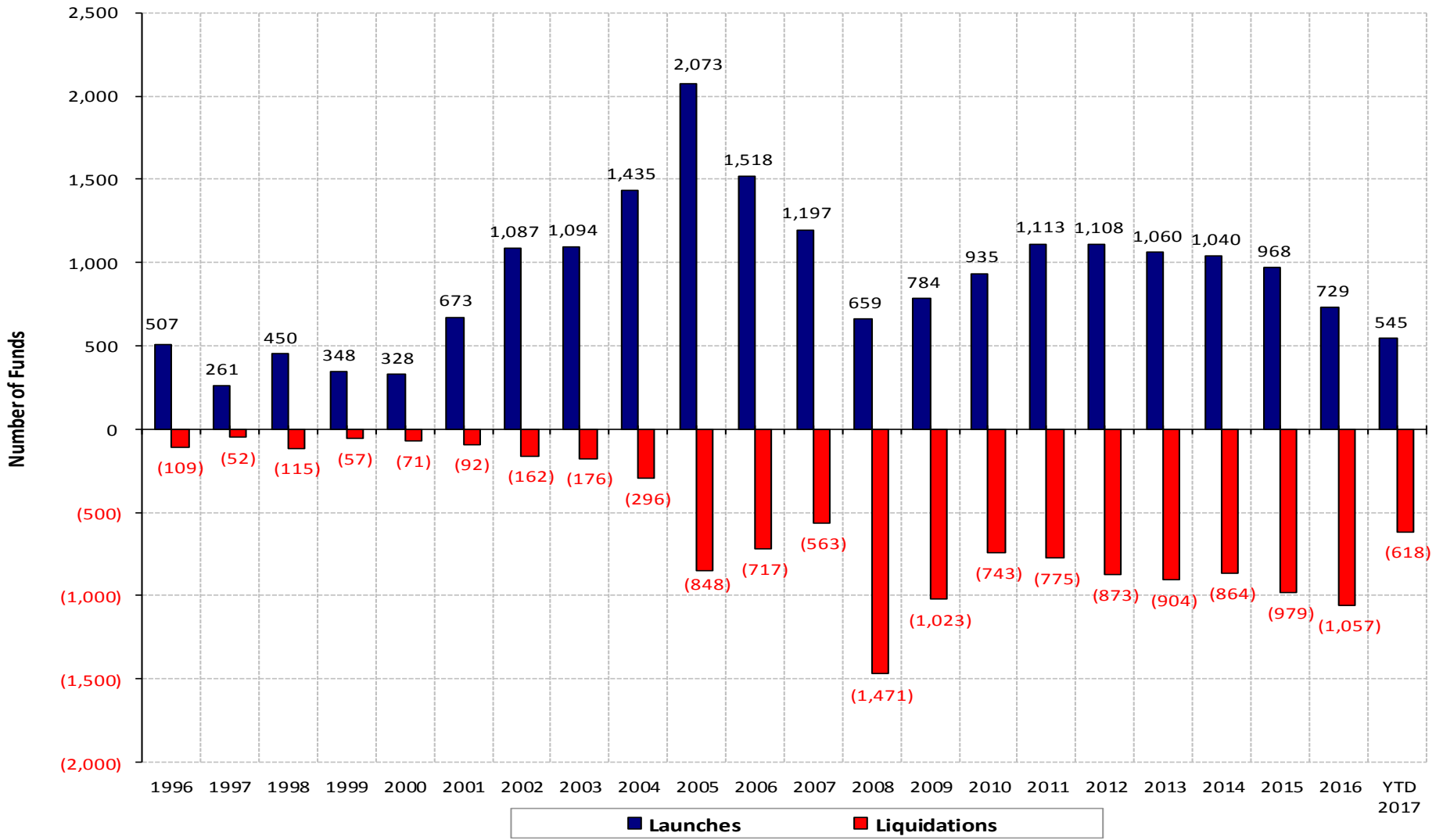
**By # Funds**



**By Assets**



# GLOBAL HF : NUMBER OF FUNDS LAUNCHED/LIQUIDATED



Source : HFR 4Q 2017 Analysis

# TOP 10 GLOBAL HEDGE FUNDS : BILLION DOLLAR CLUB



Fund Manager	Location	Year Established	Total AUM (USD mn)	AUM Date
Bridgewater Associates	US	1975	\$161,900	30-Jun-17
AQR Capital Management	US	1998	\$106,200	30-Jun-17
Man Group	UK	1983	\$57,900	30-Jun-17
J.P. Morgan Asset Management	US	1974	\$49,000	30-Jun-17
Renaissance Technologies	US	1982	\$47,900	30-Jun-17
Millennium Management	US	1989	\$34,300	1-Jul-17
Standard Life Investments (Part of Aberdeen Standard Investments)	UK	1998	\$33,200	30-Jun-17
Och-Ziff Capital Management	US	1994	\$31,800	1-Jul-17
Elliott Management	US	1977	\$31,400	31-Dec-17
Two Sigma Investments	US	2002	\$30,400	1-Jan-17

# TOP 10 ASIA PACIFIC HEDGE FUNDS : BILLION DOLLAR CLUB



Fund Manager	Location	Year Established	Total AUM (USD mn)	AUM Date
Hillhouse Capital Management	China	2005	\$17,800	31-Dec-16
Platinum Asset Management	Australia	1994	\$17,256	30-Jun-17
Value Partners	Hong Kong	1993	\$15,500	30-Jun-17
Springs Capital	China	2007	\$7,100	30-Jun-17
PAG Absolute Returns	Hong Kong	2002	\$6,593	30-Jun-17
Dymon Asia Capital	Singapore	2008	\$5,400	31-May-17
Tybourne Capital Management	Hong Kong	2010	\$5,000	31-May-17
Graticule Asset Management Asia	Singapore	2014	\$4,679	30-Jun-17
Myriad Asset Management	Hong Kong	2011	\$4,000	31-Mar-17
Ellerston Capital	Australia	2004	\$3,996	31-Aug-17

# TOP 10 GREATER CHINA BASED HEDGE FUNDS : BILLION DOLLAR CLUB



Fund Manager	Location	Year Established	Total AUM (USD mn)	AUM Date
Hillhouse Capital Management	China	2005	\$17,800	31-Dec-16
Value Partners	Hong Kong	1993	\$15,500	30-Jun-17
Springs Capital	China	2007	\$7,100	30-Jun-17
PAG Absolute Returns	Hong Kong	2002	\$6,593	30-Jun-17
Tybourne Capital Management	Hong Kong	2010	\$5,000	31-May-17
Myriad Asset Management	Hong Kong	2011	\$4,000	31-Mar-17
Symmetry Investments LP	Hong Kong	2014	\$3,600	1-Jul-17
Cephei Capital Management	Hong Kong	2006	\$3,331	30-Jun-17
Greenwoods Asset Management	Hong Kong	2004	\$2,688	31-Jul-17
BFAM Partners	Hong Kong	2012	\$2,611	31-Aug-17

# TOP 5 ASIA PACIFIC BASED HEDGE FUNDS



Fund Name	Firm Name	Firm Country	Inception Date	Core Strategies	Region Prefs	Country Prefs	Methods of Investment	2017 Year-to-date Return	12-Month	3-Year Annu	Rtn Since Incep
CSV China Opportunities Fund	CSV Capital Partners	China	1/4/2010	Long Bias, Long/Short Equity		China	Debt, Equities	80.95	66.45	16.58	130.91
UG Hidden Dragon Special Opportunity Fund - Class A	UG Investment Advisers	Taiwan	9/28/2007	Event Driven, Long/Short Equity, Value-Oriented	Asia	China	Equity & Currency Derivs	57.39	50.99	35.26	232.2
TAL China Focus Fund - Class C (Unrestricted)	Trivest Advisors	Hong Kong	7/2/2010	Long/Short Equity	Global	China	Derivs / Equities	50.57	44.41	21.21	193.99
Foundation China Opportunity Fund	Foundation Asset Management (HK)	Hong Kong	1/1/2007	Long Bias, Long/Short Equity	Greater China, Global	China, Hong Kong	Debt, Equities	47.14	39.3	11.68	209.88
Chinese Mainland Focus Fund	Value Partners	Hong Kong	11/27/2003	Long Bias, Long/Short Equity		China	Derivs, Equities, Currency	46.52	41.25	14.24	400+

Source : Prequin – September, 2017

# TOP 5 ASIA PACIFIC INVESTED HEDGE FUNDS



Fund Name	Firm Name	Firm Country	Inception Date	Core Strategies	Region Prefs	Country Prefs	Methods of Investment	2017 Year-to-date Return	12-Month	3-Year Annu	Rtn Since Incep
UG Hidden Dragon Special Opportunity Fund - Class A	UG Investment Advisers	Taiwan	9/28/2007	Event Driven, Long/Short Equity, Value-Oriented	Asia	China	Derivs & Equities	57.39	50.99	35.26	232.2
KS Asia Absolute Return Fund IC	Gen2 Partners	Hong Kong	1/3/2010	Long/Short Equity, Multi-Strategy	Asia	South Korea	Debt & Equities	42.22	43.5	18.26	190.78
Telligent Greater China Master Fund	Telligent Capital Management	Hong Kong	8/1/2004	Long/Short Equity	Greater China	China, Hong Kong, Taiwan	Derivs & Equities	40.94	23.99	7.68	341.92
Value Partners Classic Fund - C Units (RMB) Hedged	Value Partners	Hong Kong	10/28/2015	Long Bias, Long/Short Equity	Greater China, Asia	China, Hong Kong	Equities	39.22	30.4		33.77
SPQ Asia Opportunities Fund - Class B	SPQ Asia Capital	Hong Kong	12/2/2013	Long/Short Equity	Greater China		Equities	37.33	36.86	13.64	76.83



# TOP 5 INDIA BASED HEDGE FUNDS



Fund Name	Firm Name	Firm Country	Inception Date	Core Strategies	Country Preferences	Methods of Investment Employed	2017 Return	Since Inception	Three-Year Annualised
Redart Focus Fund	Redart Capital	India	Sep-09	Long/Short Equity, Value-Oriented	India	Derivative Markets,, Options	73.51	291.03	19.96
Malabar India Fund, Ltd.	Malabar Investment Advisors	India	Sep-08	Long Bias	India	Equities	50.03	-	18.38
Banyan India Portfolio	Banyan Capital Advisors	India	May-12	Long Bias, Value-Oriented	India	Equities	48.82	131.41	14.06
Karma STAR Fund	Karma Capital Management	India	Feb-04	Long/Short Equity	India	Equities	45.95	618.23	12.99
Right Horizons Minerva Funds - India Undervalued	Right Horizons Financial Services	India	Nov-10	Long Bias	India	Equities	41.61	205.81	13.91

# TOP 5 INDIA INVESTED HEDGE FUNDS



Fund Name	Firm Name	Firm Country	Inception Date	Core Strategies	Country Pref	Methods of Investment Employed	2017 Return	Since Inception	Three-Year Annualised
Atyant Capital India Fund-I	Atyant Capital	Mauritius	Jul-06	Long Bias	India	Equities	79.87	468.05	39.41
Redart Focus Fund	Redart Capital	India	Sep-09	Long/Short Equity, Value-Oriented	India	Derivative Markets	73.51	291.03	19.96
Tantallon India Fund	Tantallon Capital Advisors	Singapore	Sep-15	Long Bias	India	-	59.15	50.28	-
SageOne India Growth Master Fund	Lighthouse Canton	Singapore	Sep-14	Long Bias	India	Equities	53.55	-	19.73
Alchemy India Long Term Fund	Alchemy Investment Management	Singapore	Jun-08	Long/Short Equity	India	Derivative Equities, Commodities and Warrants	50.35	239.29	18.72

Source : Prequin – December, 2017

# TOP 5 GREATER CHINA BASED HEDGE FUNDS

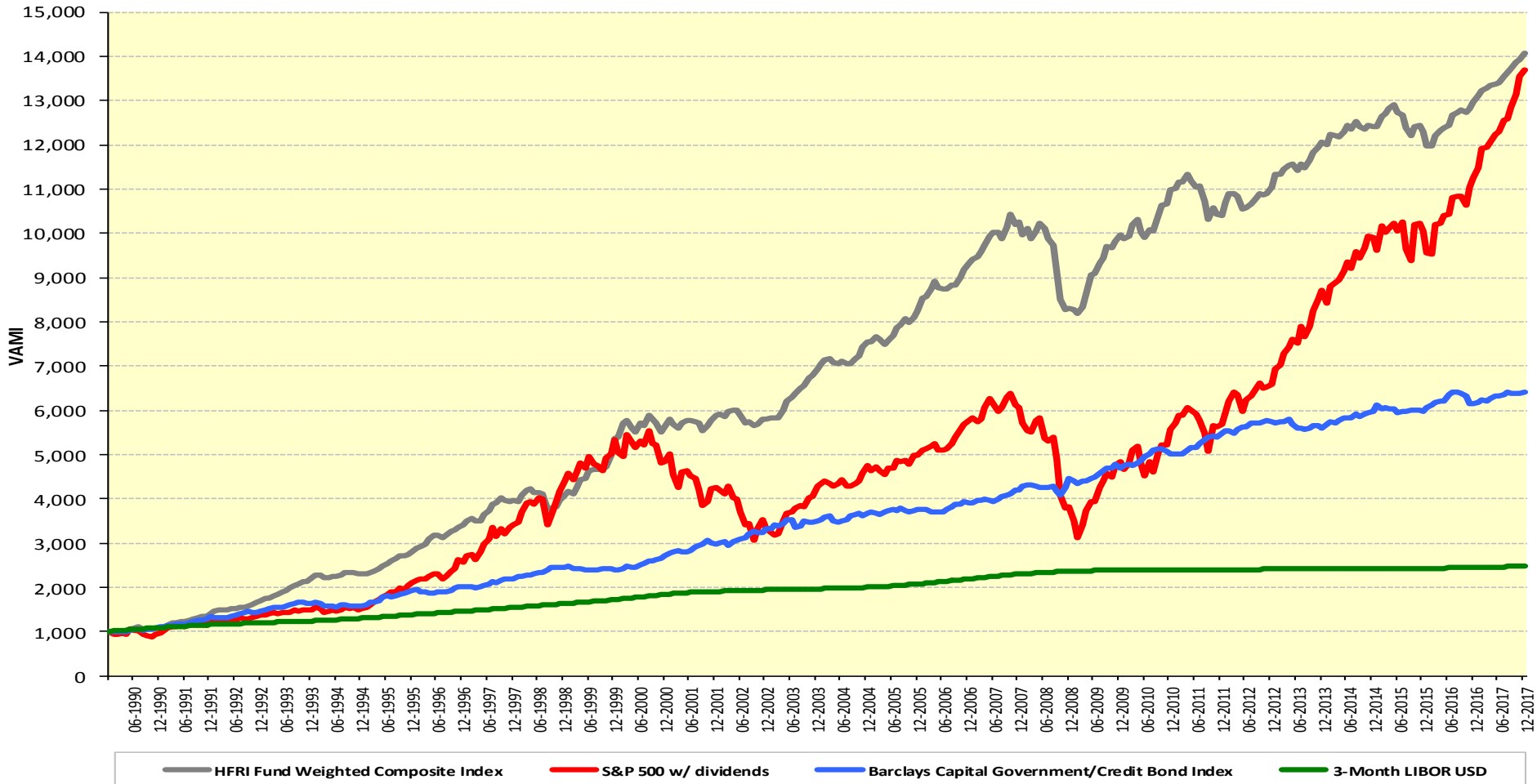


Fund Name	Firm Name	Firm Country	Inception Date	Core Strategies	Region Prefs	Country Prefs	Methods of Investment	2017 Year-to-date Return	12-Month	3-Year Annu	Rtn Since Incep
CSV China Opportunities Fund	CSV Capital Partners	China	1/4/2010	Long Bias, Long/Short Equity		China	Debt, Equities	80.95	66.45	16.58	130.91
TAL China Focus Fund - Class C (Unrestricted)	Trivest Advisors	Hong Kong	7/2/2010	Long/Short Equity	Global	China	Derivatives, Equities	50.57	44.41	21.21	193.99
Foundation China Opportunity Fund	Foundation Asset Management (HK)	Hong Kong	1/1/2007	Long Bias, Long/Short Equity	Greater China, Global	China, Hong Kong	Debt, Equities	47.14	39.3	11.68	209.88
Chinese Mainland Focus Fund	Value Partners	Hong Kong	11/27/2003	Long Bias, Long/Short Equity		China	Derivatives, Equities, Currency	46.52	41.25	14.24	
Kingsferry Classic Value Fund I - Class A	Kingsferry Capital	China	7/20/2016	Value-Oriented	Asia, Global, North America	Australia	Equities	44.55	76.83		70.65

# HFR FUND WEIGHTED COMPOSITE PERFORMANCE INDEX



Index	2017		3-Year Annualized		5-Year Annualized		10-Year Annualized		Since 1990	
	Net ROR	StD	Net ROR	StD	Net ROR	StD	Net ROR	StD	Net ROR	StD
HFR FWC	8.68	1.19	4.25	3.69	4.95	3.59	3.23	6.03	9.90	6.55
S&P 500 w/ dividends	21.80	3.93	11.39	10.06	15.77	9.49	8.49	15.06	9.80	14.20
Barclays Govt/Crdt Agg Bond	4.18	1.71	2.50	3.48	2.23	3.40	4.31	4.15	6.86	4.67
3-Month LIBOR	1.29	0.05	0.79	0.12	0.58	0.12	0.75	0.23	3.29	0.70

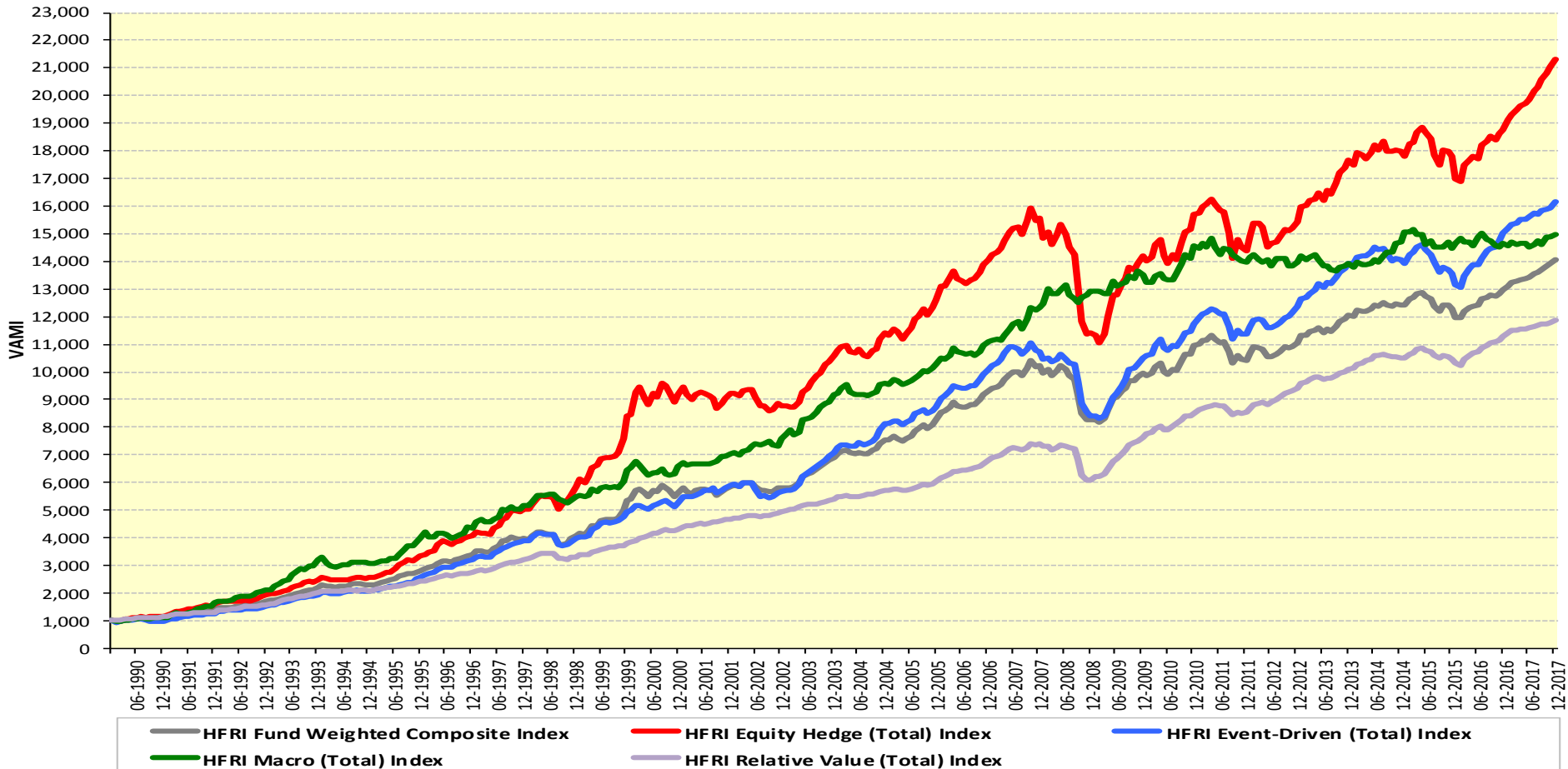


Source : HFR Q4 2017 Analysis

# HFR MAIN STRATEGY INDICES PERFORMANCE ANALYSIS



Index	2017		3-Year Annualized		5-Year Annualized		10-Year Annualized		Since 1990	
	Net ROR	StD	Net ROR	StD	Net ROR	StD	Net ROR	StD	Net ROR	StD
HFRI FWC	8.68	1.19	4.25	3.69	4.95	3.59	3.23	6.03	9.90	6.55
HFRI Equity Hedge Index	13.46	1.44	5.82	5.64	6.63	5.35	3.19	8.56	11.54	8.68
HFRI Event-Driven Index	7.73	1.68	4.73	4.73	5.49	4.31	4.17	6.44	10.45	6.51
HFRI Macro Index	2.21	2.88	0.65	3.88	1.40	3.67	1.95	4.49	10.15	7.12
HFRI Relative Value Index	5.11	1.26	4.11	2.80	4.68	2.61	4.81	4.98	9.23	4.17



# Fund of Hedge Funds ... Dead ... Or ... Alive?



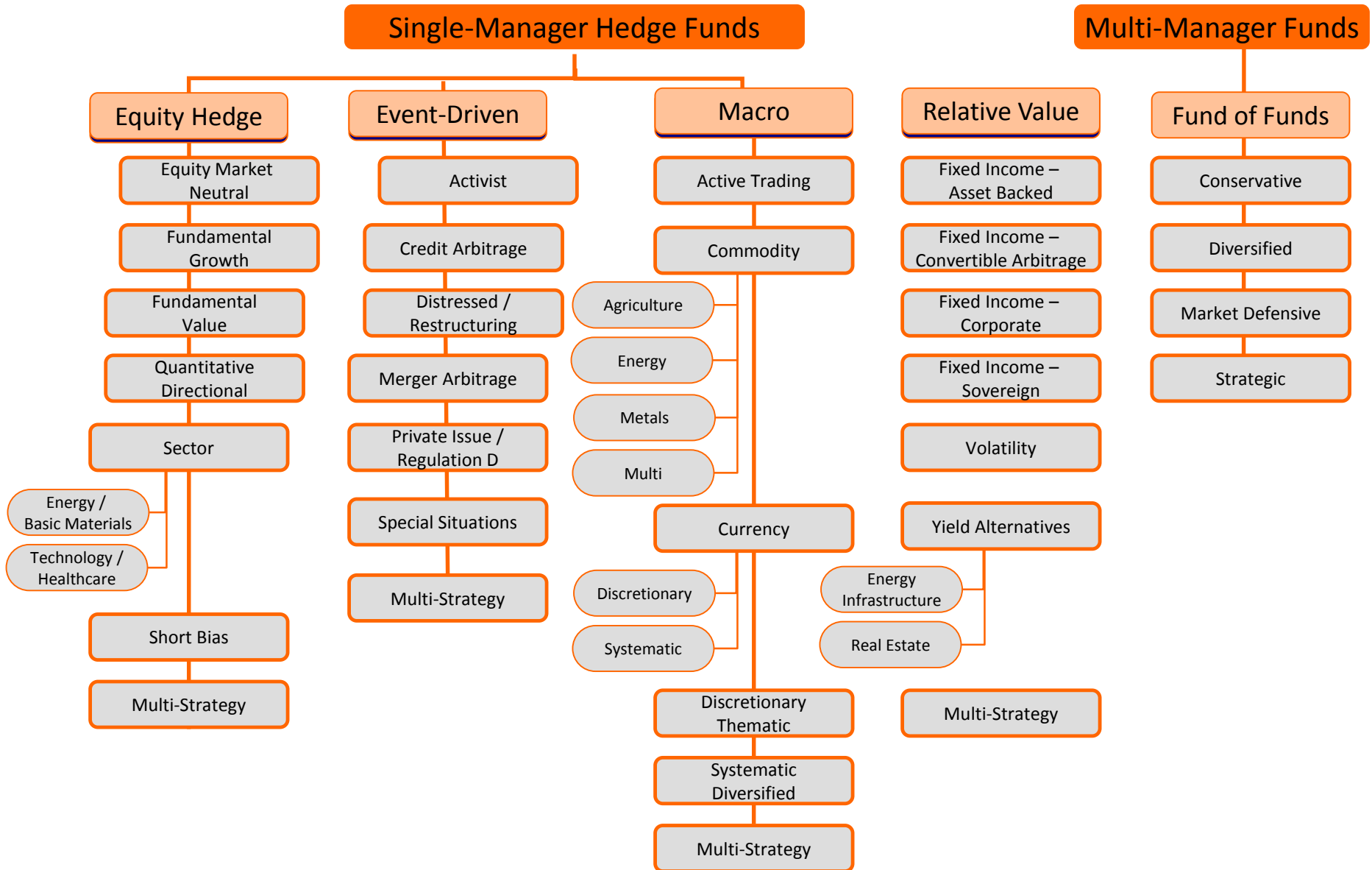
Chartered Alternative Investment Analyst Association

# HFRI INDICES ANNUAL INVESTMENT RETURNS (2002 – 2017)



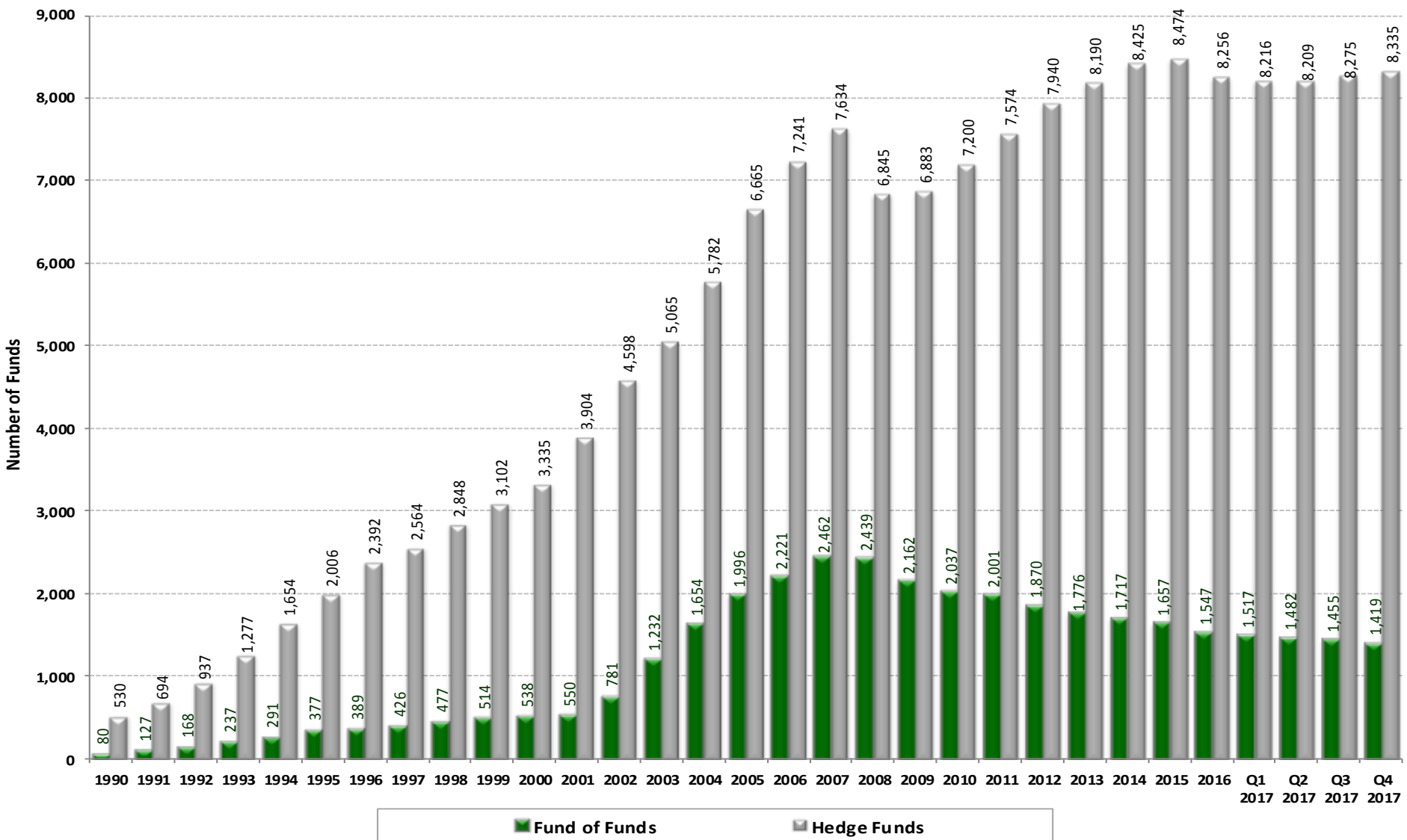
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
HFRI Emerging Markets 39.36%	HFRI ED: Distressed 18.89%	HFRI Emerging Markets 21.04%	HFRI Emerging Markets 24.26%	HFRI Emerging Markets 24.92%	Barclays Gov't/Credit 6.09%	HFRI RV: ConvertArb 60.17%	S&P 500 15.08%	Barclays Gov't/Credit 9.24%	S&P 500 15.99%	S&P 500 32.36%	S&P 500 13.65%	HFRI EH: Eq Mrkt Ntrl 4.27%	HFRI ED: Distressed 15.15%	S&P 500 21.80%
HFRI ED: Distressed 29.56%	HFRI Emerging Markets 18.42%	HFRI Equity Hedge 10.60%	HFRI ED: Distressed 15.94%	HFRI Macro 11.11%	HFRI Macro 4.83%	HFRI Emerging Markets 40.25%	HFRI RV: ConvertArb 13.35%	S&P 500 2.09%	HFRI Relative Value 10.59%	HFRI Equity Hedge 14.28%	Barclays Gov't/Credit 6.32%	HFRI ED: Merger Arb 3.32%	S&P 500 11.93%	HFRI Emerging Markets 20.12%
S&P 500 28.67%	HFRI Event-Driven 15.01%	HFRI Fund Wghtd Comp 9.30%	S&P 500 15.78%	HFRI Equity Hedge 10.48%	HFRI ED: Merger Arb -5.37%	HFRI ED: Distressed 28.14%	HFRI ED: Distressed 12.12%	HFRI ED: Merger Arb 1.50%	HFRI Emerging Markets 10.37%	HFRI ED: Distressed 14.05%	HFRI Macro 5.58%	HFRI RV: ConvertArb 1.92%	HFRI Event-Driven 10.57%	HFRI Equity Hedge 13.46%
HFRI Event-Driven 25.33%	S&P 500 10.86%	HFRI ED: Distressed 8.27%	HFRI Event-Driven 15.33%	HFRI FOF Composite 10.25%	HFRI EH: Eq Mrkt Ntrl -5.92%	S&P 500 26.47%	HFRI Event-Driven 11.86%	HFRI Relative Value 0.15%	HFRI ED: Distressed 10.12%	HFRI Event-Driven 12.51%	HFRI Relative Value 4.02%	S&P 500 1.38%	HFRI RV: ConvertArb 8.10%	HFRI Fund Wghtd Comp 8.68%
HFRI Macro 21.42%	HFRI Fund Wghtd Comp 9.03%	HFRI FOF Composite 7.49%	HFRI ED: Merger Arb 14.24%	HFRI Fund Wghtd Comp 9.96%	HFRI Relative Value -18.04%	HFRI Relative Value 25.81%	HFRI Emerging Markets 11.44%	HFRI ED: Distressed -1.79%	HFRI Event-Driven 8.89%	HFRI Fund Wghtd Comp 9.13%	HFRI FOF Composite 3.37%	Barclays Gov't/Credit 0.15%	HFRI Relative Value 7.67%	HFRI FOF Composite 7.73%
HFRI Equity Hedge 20.54%	HFRI Equity Hedge 7.68%	HFRI Event-Driven 7.29%	HFRI Fund Wghtd Comp 12.89%	HFRI Relative Value 8.94%	HFRI Fund Wghtd Comp -19.03%	HFRI Event-Driven 25.04%	HFRI Relative Value 11.43%	HFRI EH: Eq Mrkt Ntrl -2.13%	HFRI RV: ConvertArb 8.58%	HFRI FOF Composite 8.96%	HFRI EH: Eq Mrkt Ntrl 3.06%	HFRI FOF Composite -0.27%	HFRI Emerging Markets 7.03%	HFRI Event-Driven 7.73%
HFRI Fund Wghtd Comp 19.55%	HFRI FOF Composite 6.86%	HFRI Macro 6.79%	HFRI Relative Value 12.37%	Barclays Gov't/Credit 7.75%	HFRI FOF Composite -21.37%	HFRI Equity Hedge 24.57%	HFRI Equity Hedge 10.45%	HFRI Event-Driven -3.30%	HFRI Equity Hedge 7.41%	HFRI RV: ConvertArb 8.02%	HFRI Fund Wghtd Comp 2.98%	HFRI Relative Value -0.29%	HFRI Equity Hedge 5.47%	HFRI ED: Distressed 7.58%
HFRI FOF Composite 11.61%	HFRI Relative Value 5.58%	HFRI ED: Merger Arb 6.25%	HFRI RV: ConvertArb 12.17%	HFRI ED: Merger Arb 7.05%	HFRI Event-Driven -21.82%	HFRI Fund Wghtd Comp 19.98%	HFRI Fund Wghtd Comp 10.25%	HFRI Macro -4.16%	HFRI Fund Wghtd Comp 6.36%	HFRI Relative Value 7.07%	HFRI Equity Hedge 1.81%	HFRI Equity Hedge -0.97%	HFRI Fund Wghtd Comp 5.44%	HFRI RV: ConvertArb 5.81%
HFRI RV: ConvertArb 9.93%	HFRI Macro 4.63%	HFRI EH: Eq Mrkt Ntrl 6.22%	HFRI Equity Hedge 11.71%	HFRI Event-Driven 6.61%	HFRI ED: Distressed -25.20%	HFRI ED: Merger Arb 11.65%	HFRI Macro 8.06%	HFRI RV: ConvertArb -5.16%	Barclays Gov't/Credit 5.07%	HFRI EH: Eq Mrkt Ntrl 6.46%	HFRI ED: Merger Arb 1.69%	HFRI Fund Wghtd Comp -1.12%	HFRI ED: Merger Arb 3.63%	HFRI Relative Value 5.11%
HFRI Relative Value 9.72%	Barclays Gov't/Credit 4.54%	HFRI Relative Value 6.02%	HFRI FOF Composite 10.39%	S&P 500 5.49%	HFRI Equity Hedge -26.65%	HFRI FOF Composite 11.47%	Barclays Gov't/Credit 6.99%	HFRI Fund Wghtd Comp -5.25%	HFRI FOF Composite 4.79%	HFRI Emerging Markets 5.47%	HFRI RV: ConvertArb 1.55%	HFRI Macro -1.26%	Barclays Gov't/Credit 3.19%	HFRI EH: Eq Mrkt Ntrl 5.04%
HFRI ED: Merger Arb 7.47%	HFRI EH: Eq Mrkt Ntrl 4.15%	S&P 500 4.91%	HFRI Macro 8.15%	HFRI RV: ConvertArb 5.33%	HFRI RV: ConvertArb -33.73%	Barclays Gov't/Credit 4.81%	HFRI FOF Composite 5.70%	HFRI FOF Composite -5.72%	HFRI EH: Eq Mrkt Ntrl 2.98%	HFRI ED: Merger Arb 4.74%	HFRI Event-Driven 1.08%	HFRI Emerging Markets -3.28%	HFRI EH: Eq Mrkt Ntrl 2.23%	HFRI ED: Merger Arb 4.24%
Barclays Gov't/Credit 5.07%	HFRI ED: Merger Arb 4.08%	Barclays Gov't/Credit 2.55%	HFRI EH: Eq Mrkt Ntrl 7.32%	HFRI EH: Eq Mrkt Ntrl 5.29%	S&P 500 -36.99%	HFRI Macro 4.34%	HFRI ED: Merger Arb 4.60%	HFRI Equity Hedge -8.38%	HFRI ED: Merger Arb 2.76%	HFRI Macro -0.44%	HFRI ED: Distressed -1.39%	HFRI Event-Driven -3.55%	HFRI Macro 1.03%	Barclays Gov't/Credit 4.18%
HFRI EH: Eq Mrkt Ntrl 2.44%	HFRI RV: ConvertArb 1.18%	HFRI RV: ConvertArb -1.86%	Barclays Gov't/Credit 4.07%	HFRI ED: Distressed 5.08%	HFRI Emerging Markets -37.26%	HFRI EH: Eq Mrkt Ntrl 1.43%	HFRI EH: Eq Mrkt Ntrl 2.85%	HFRI Emerging Markets -14.01%	HFRI Macro -0.06%	Barclays Gov't/Credit -2.47%	HFRI Emerging Markets -2.56%	HFRI ED: Distressed -8.06%	HFRI FOF Composite 0.51%	HFRI Macro 2.21%

# HEDGE FUND STRATEGY CLASSIFICATION TREE



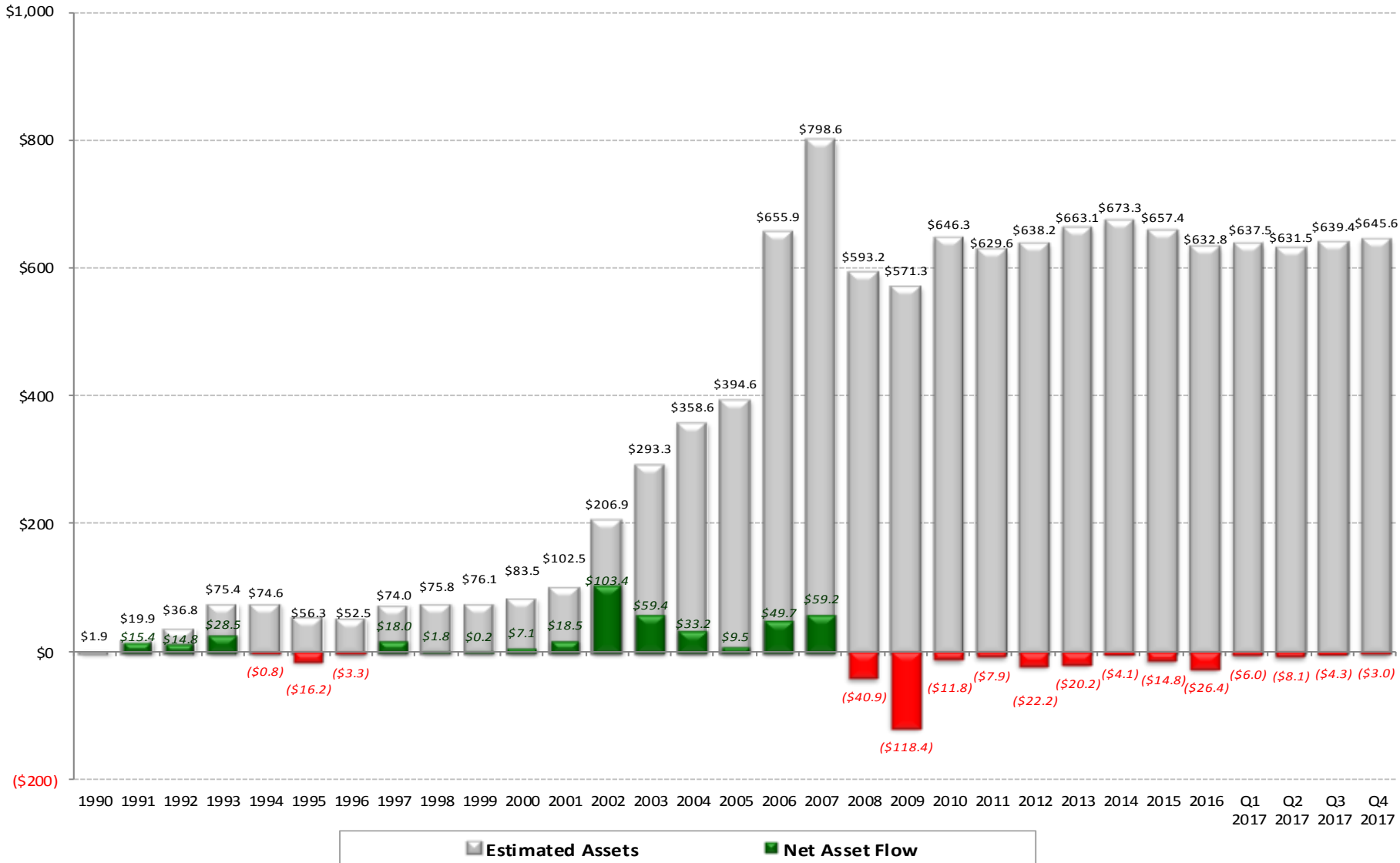


# GLOBAL NUMBER OF FUNDS: HEDGE FUNDS VS FUND OF FUNDS

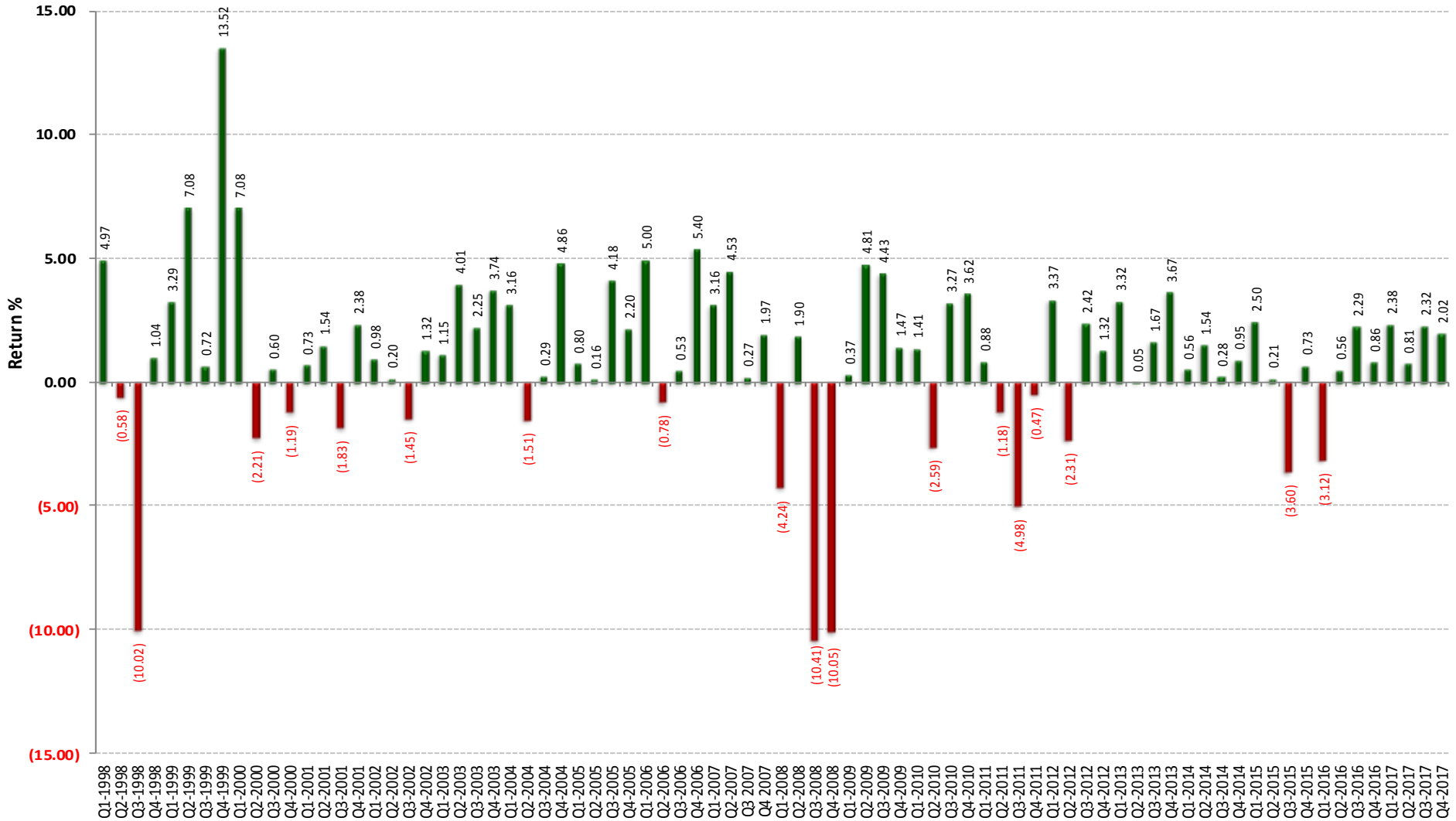


Source : HFR Q4 2017 Analysis

# GLOBAL FOHF - GROWTH OF ASSETS / NET ASSET FLOW



# GLOBAL FOHF – QUARTERLY PERFORMANCE



Source : HFR Q4 2017 Analysis

# GLOBAL BILLION DOLLAR CLUB - FOHF



Fund Manager	Location	Year Est	Total AUM (USD mn)	AUM Date
Blackstone Alternative Asset Management	US	1990	\$72,000	30-Jun-17
UBS Hedge Fund Solutions	US	2000	\$37,400	30-Jun-17
Goldman Sachs Asset Management	US	1997	\$29,200	30-Jun-17
Grosvenor Capital Management	US	1971	\$25,900	30-Jun-17
EnTrustPermal	US	1971	\$24,400	30-Jun-17
HSBC Alternative Investments	UK	1994	\$24,200	1-Jul-17
Morgan Stanley Alternative Investment Partners	US	2000	\$23,300	30-Jun-17
BlackRock Alternative Advisors	US	1995	\$22,900	1-Jul-17
PAAMCO Prisma*	US	2000	\$16,900	31-Dec-17
Man FRM	UK	1991	\$16,200	1-Jan-17

**Why Alternative Investments? ... Investor Appetite**

**Asia Pacific Investors ... Who are they?**

**A Dive into the Global Hedge Fund Industry**

**Due Diligence**

**Professional Development**

**What's next?**

# Due Diligence



*The Global Mark of Distinction in Alternative Investments*

**How have due diligence requirements  
changed since 2008?**

**Increased scrutiny  
Increased fiduciary responsibility  
Increased time and resource requirements  
Increased regulatory burden  
Increased potential liability  
Increased accountability  
Increased Cost**

**Leading to ....**

# DUE DILIGENCE REQUIREMENTS WHEN INVESTING IN HEDGE FUNDS

## Operational Due Diligence

Compliance Manual (including KYC checks, Money Laundering procedures, trade errors, soft commission policies etc.)  
Prime Brokerage Agreement  
Fund Administrator Agreement  
Investment Management Agreement  
Business Continuity documentation  
Company accounts for last three years  
Projected Budget for the next 5 years  
Trading and Portfolio management system verification  
Authorisation, execution, confirmation, settlement, reconciliation and accounting policies. (Need for adequate segregation of duties)  
Detailed valuation policies or a pricing matrix (maintaining transparency, consistency and oversight)  
Counterparty risk  
Key person risk and insurance

Risk without return

## Investment and Risk Due Diligence

DDQ  
Prospectus  
Fund Presentation  
Risk Limits  
Kroll reports and character references  
Analysis of Market and product Liquidity, volatility and credit risks  
Modelling performance can be difficult:  
Downside deviation, correlation, variance, volatility, VAR, Sortino and Sharpe ratios  
Back testing  
Scenario analysis  
Consistent approach to portfolio management  
Definition and measurement of risk to the portfolio  
Investment in Non-listed Instruments  
Best Execution  
Conflicts of interest  
Stock Borrowing  
Personal Account Dealing  
Investment Decision-making Process

Risk with return



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# Professional Business Education & Development



*The Global Mark of Distinction in Alternative Investments*

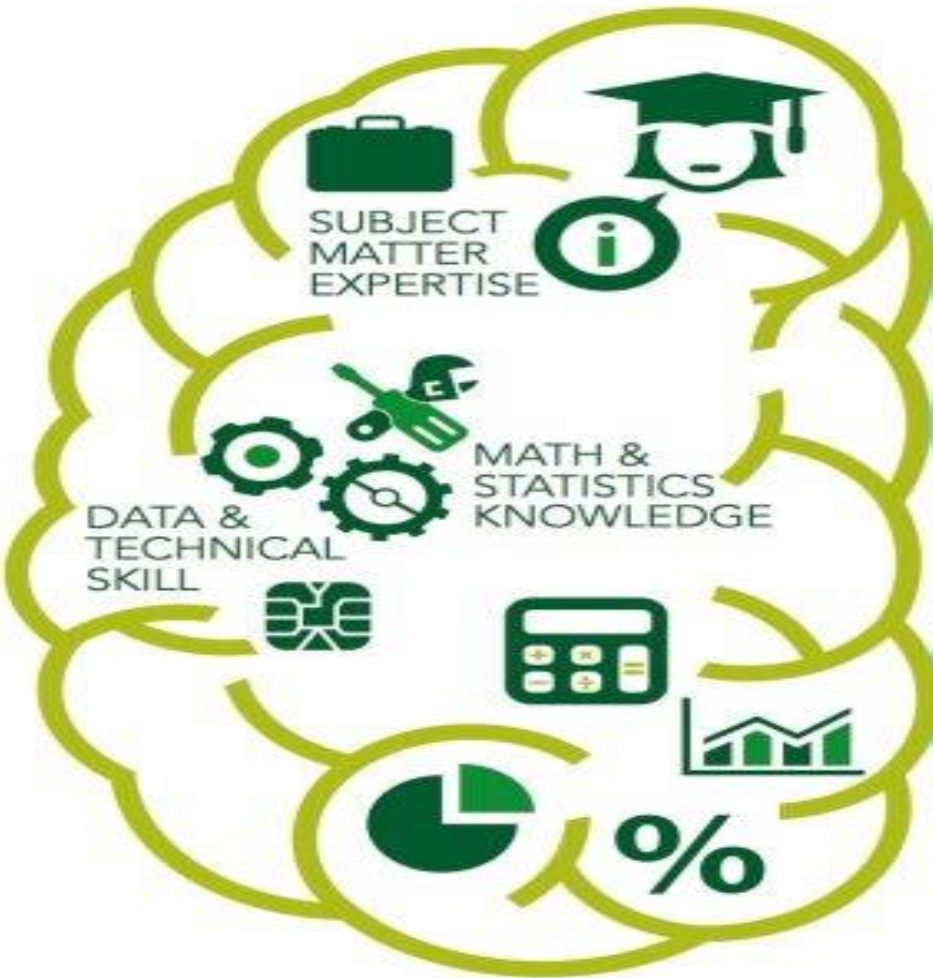
- What's needed to navigate and succeed in a complex workplace?
- Our industry is shrinking – how does one stand out and survive?





## HARD SKILLS

## SOFT SKILLS



**SKILLS:** Goal-directed, well-organised behaviours acquired through practice and performed with economy of effort

**HARD SKILLS**

Rule-based  
Technological/scientific  
Industrial/mechanical  
Tools/techniques  
Specialised  
Procedural/methodical  
Replicable  
Predictable  
Tangible

**SOFT SKILLS**

Experience-based  
People-related  
Attitudinal  
Behavioural  
Non-domain-specific  
General  
Trans-situational  
Non-technical  
Intangible



$IQ + EQ = \text{SUCCESS}$



**SOFT SKILLS**

**HARD SKILLS**



**The number of Bloomberg terminals fell in 2016 for only the second time since the company was founded in 1981.**

*“A lot of the vendors [of financial information] are facing headwinds... The combination of machines replacing traders where they can and cutbacks overall in financial institutions in terms of budgets has made it difficult for all vendors to maintain [terminal numbers].”*

Financial Times - March, 2017

**Stand Out To Survive!**

## Lawrence Wong: Minister for National Development, Singapore, 2016:

.... it's very clear that the next decade will be a highly disruptive one for financial institutions worldwide .... will have a significant bearing on the scale and nature of financial sector jobs in all financial centres .... FinTech alone will impact one-third of employees at traditional banks over the next 10 years...we must all have a greater sense of urgency towards reskilling, upskilling, and acquiring new skills.

The mindset must be:

**“Train today, prepare for tomorrow”**

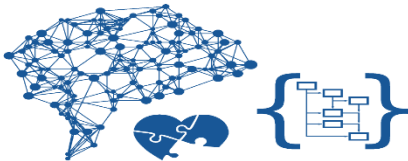
## Future State of the Investment Profession

- 84% of investment leaders expect **consolidation** in the industry
- 73% believe **RI/ESG** will be more important
- 55% believe that **globalisation** will create opportunity
- 48% believe that **technology** will create opportunity
- Increasing need for **soft skills**, like **creative intelligence** and **influencing skills**, given that technology will replace many straightforward human processes
- **Adaptiveness to change** is needed for increasingly disrupted situations, but this skill is in short supply
- There is a **critical need for increased diversity** both for a business case and improved cultural strength

## Top 10 skills

### in 2020

1. Complex Problem Solving
2. Critical Thinking
3. Creativity
4. People Management
5. Coordinating with Others
6. Emotional Intelligence
7. Judgment and Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility



### in 2015

1. Complex Problem Solving
2. Coordinating with Others
3. People Management
4. Critical Thinking
5. Negotiation
6. Quality Control
7. Service Orientation
8. Judgment and Decision Making
9. Active Listening
10. Creativity



# PROFESSIONAL DESIGNATIONS : THERE ARE A LOT OF THEM!

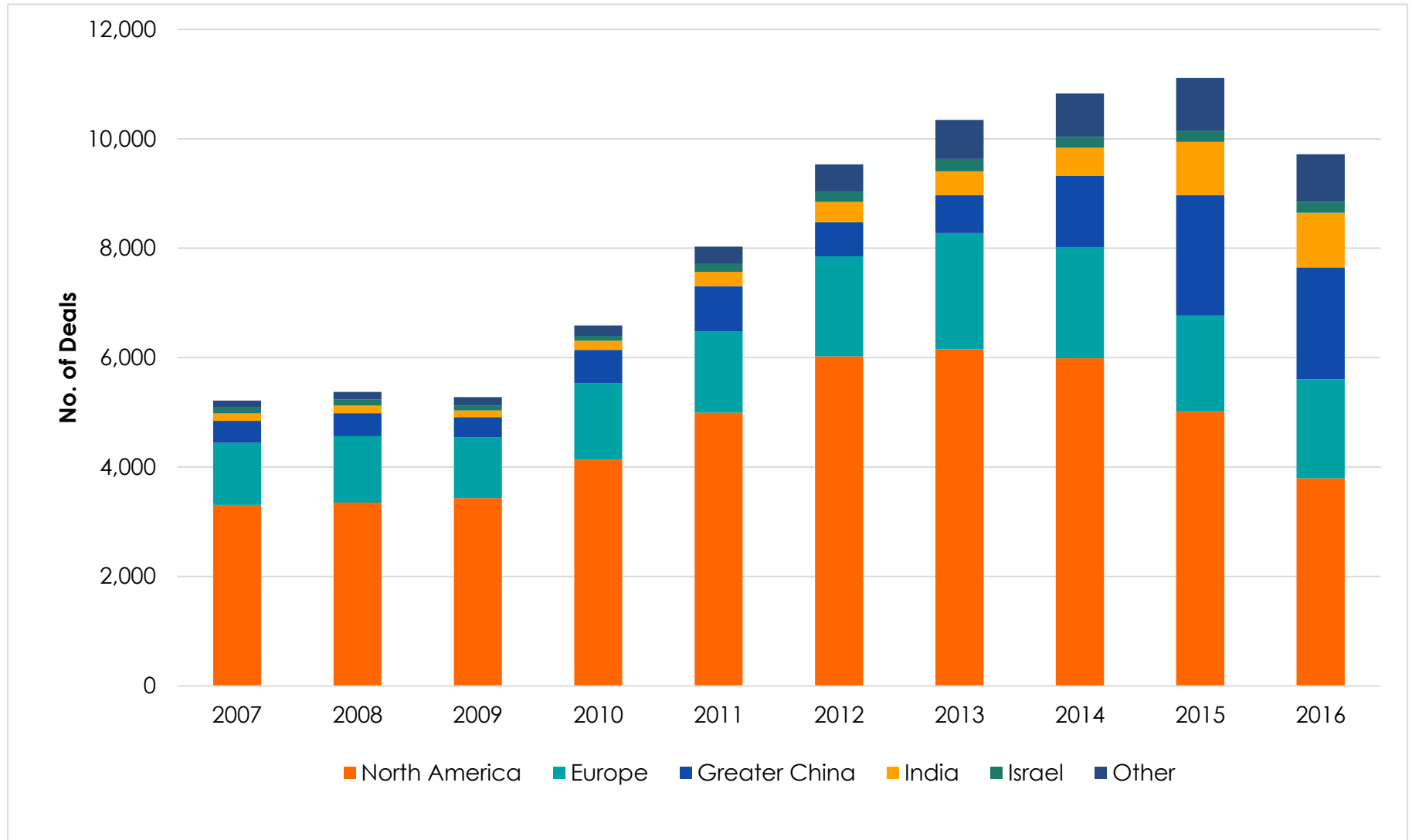


# KEY CHALLENGES / ISSUES FOR PRIVATE CAPITAL



Private Equity	Private Debt	Real Estate	Infrastructure	Natural Resources
Valuations	Valuations	Valuations	Valuations	Ongoing Volatility/ Uncertainty in Global Markets
Exit Environment	Fundraising	Ongoing Volatility/ Uncertainty in Global Markets	Deal Flow	Fundraising
Ongoing Volatility/Uncertainty in Global Markets	Deal Flow	Fundraising	Ongoing Volatility/ Uncertainty in Global Markets	Public Perception of Industry

# CHINA ACCOUNTS FOR 21% OF ALL DEALS AND 36% OF AGGREGATE DEAL VALUE .... NOTE SIZE OF INDIA!





## Mind the Gap

Exceed expectations of  
clients and regulators.

Leverage your  
alternatives knowledge

Gain credibility



STOCKS  
BONDS  
CASH



CAIA  
ASSOCIATION®  
GET SMART. STAY SMART.

HEDGE FUNDS  
REAL ASSETS  
PRIVATE EQUITY  
COMMODITIES  
DERIVATIVES

**Why Alternative Investments? ... Investor Appetite**

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**What's next?**

# Key Takeaways ... Crystal Ball Time!



*The Global Mark of Distinction in Alternative Investments*

- The Alternative Investment industry is a major component of the institutional investment landscape both for asset owners, and the financial services industry ....
- .... Think multi-asset competency
- Excellent long-term returns have driven rapid AUM growth
- Asset owners are moving to diversify more effectively through multi-asset investment, and collect more reliable returns through illiquidity premia
- Asset owners are moving to diversify more effectively through multi-asset investment, and collect more reliable returns through illiquidity premia
- Continuing rapid evolution of industry – strategies / structures / regions / investors / regulations etc.

**Stand Out To Survive!**

- Distinct investor motivations across different alternative asset classes
- Excellent long-term returns have driven rapid AUM growth
  - PE mature, still growing strongly
  - Infrastructure and private debt less mature, tremendous growth prospects
  - Natural Resources currently challenged
- Current valuations high; investors and fund managers alike cautious about forward-looking prospects
  - But committed to further increasing allocations – risk/reward attractive as ever
- Continuing rapid evolution of industry – strategies / structures / regions / investors / regulations etc.

## Stand Out To Survive!

# WHAT'S NEXT FOR ALTERNATIVE INVESTMENTS?



- Alternatives assets industry is bigger than ever
- Industry continues to bifurcate
- Investors are – much! – smarter and wholly committed to AI
- Asian Institutional and HNWI continue to evolve .... dominate?
- Excellent long-term returns have driven rapid AUM growth
- Multi-Asset competency .... a must!
- Foresee a continuing – and rapid - evolution of the industry

**Opportunity : Equip Oneself With Appropriate Knowledge  
and a Solid Skillset**



# Thank You!



*The Global Mark of Distinction in Alternative Investments*



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