

ASIA 25

ASIA'S LARGEST 25 SINGLE MANAGERS RANKED BY ASSETS UNDER MANAGEMENT

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Introduced by Philippe Teilhard

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Asia's hedge fund industry is much younger than its European or American counterparts, but no less dynamic. Managers in this part of the world are being pursued by investors from outside the region seeking investment talent capable of generating alpha in what is already a high-octane market. It is a good time to be running a hedge fund in Asia. The growth figures speak for themselves. The numbers vary slightly depending on the database being referenced, but in 2001 there were approximately 100 Asia-based hedge funds, whereas now there are over 700.

Asia's hedge fund industry does not have the same length of track record of either the European or the American industries, but it has been witness to three distinct waves of hedge fund innovation.

The initial, entrepreneurial wave of managers, who established their businesses to run money in the 1990s, is heavily represented in the **ASIA25**. A number of firms in the **ASIA25** have been running alternative assets since the early days, and endured the hostile climate that followed in the wake of the Thai baht crisis, when hedge funds were the favourite whipping boys of Asian politicians. These are the firms with asset bases north of a billion dollars, with multi-manager characteristics, and with the strong global investor relationships that have helped them to build up the brand, the gravitas, and the critical mass to make the **ASIA25**.

A second wave of hedge fund managers arose at the turn of the millennium that could be described as the more opportunistic, adventurous players who recognised that the global equity bear market, and the collapse of the technology sector, heralded opportunities for hedge funds in this region as much as anywhere else. Many of these hailed from long-only equity managers in Asia as well as beyond. Not all have survived, but those that did have contributed to the ranks of experienced long/short managers that are now so in demand from institutions seeking exposure to China, India, and other regional emerging markets.

The final wave of managers, many of whom are just starting out, represents a new generation of seasoned Asian hedge fund managers that are leaving the existing, established hedge fund organisations, including typically those in the **ASIA25**, to set out on their own. Frequently, they have been mentored by the founders of these firms, and have earned their stripes managing money with a short book. Most importantly, they are seasoned investors in the region's markets, and can bring this experience to bear when generating alpha for their

investors. We expect to see some of this Asian new wave entering the ranks of the **ASIA25** in the not too distant future.

Different challenges

As a region, Asia presents hedge fund managers with a unique set of challenges.

As a market it is not as homogenous as the American or European markets. Many countries are still classic emerging market plays, with the red tape and political interference that goes with this territory. At the same time, managers have access to well-regulated liquid securities markets in Australia, Hong Kong, Japan, and Singapore. India is also much in demand these days as investors buy into the sub-continent's macroeconomic story.

Successful managers in this region, like those in the **ASIA25**, have been able to deal with the variety of regulatory environments they are presented with, including restrictions on shorting, and indeed sometimes a lack of loan stock. Outside Japan, for example, a pairs trading strategy is difficult to implement, leading to more emphasis on volatility arbitrage and relative value strategies.

We are now seeing Hong Kong and Singapore competing for the hedge fund dollar, with flexible regulatory regimes, attractive fiscal policies, and solid infrastructure on offer to start-ups who choose to do business there. Whilst Hong Kong undisputedly remains the gateway to China for key mainland company analysis, both centres are witnessing an increasing number of service providers on the ground competing for hedge fund business in Asia, and this is helping Asia's larger funds to improve their levels of operational efficiency. As the number of funds with over a billion dollars under management increases, so too does the emphasis on the infrastructure they will have to put in place to stay in that club.

Although the largest manager in the **ASIA25** is based in Japan, that country's hedge fund industry remains relatively small, despite the size and global importance of its securities and asset management markets. This has much to do with the local attitude of Japanese investment professionals who still regard breaking out of banks or institutional asset management firms to set-up independently as a risky and unusual move. Also Japanese institutional investors historically have been looking internationally to diversify their inherent exposure to domestic assets and have extended this habit to alternative assets investing. This is changing slowly, however, as continued low interest rates and a lack

of volatility in the Japanese equity market mean more large Japanese investors are now starting to seek alternative options. This could mean new opportunities for local hedge funds that understand both their market and their client base.

But as ever in Japan, new parameters such as Basle II and a re-focused FSA may lead to tighter rules, especially for regional banks, which may result in capping expected developments.

No review of the Asian hedge fund scene is complete without a mention of Australia. Here, there are some large funds with very much a global outlook on their investment activities. It is also an important regional market for investment, with large superannuation funds that have the sophistication and expertise to run very large alternative investment portfolios. Although hindered by its far away location and low capacity of its own equity market for inward investment opportunity, Australia has been able to nurture some large foreign focused managers specialising in derivative based strategies, and they have done so very successfully. It will also be interesting to see the role Australian institutional investors play in the growth of the Asia Pacific hedge fund story going forwards.

Where to now?

Asian funds are still recovering from the credit crisis hangover, and like other managers around the world, bracing themselves for what comes next. But we are also seeing a maturing process as the leading managers take on the characteristics of multi-strategy shops, and become acquisition targets for large groups from Europe and North America like SAC, RAB Capital, Tudor, and Millennium.

If there is a constraint on the growth of the industry in this region, it has to be one of capacity. Many markets are still emerging, and outside the largest bourses like Tokyo, Singapore, Sydney, and Hong Kong, there remain liquidity issues that could put a brake on the speed at which local managers can incorporate capital flows into their strategies.

With local markets achieving such phenomenal numbers – China, for example, returning over 90% in 12 months – it is harder for local hedge funds to make their case to local investors at the moment. However, with a market correction and more difficult times for long only funds, Asian hedge funds could well experience a new phase of investment growth beyond that fuelled by the current global interest in emerging markets. **THFJ**

Note: AUM figures relate to hedge assets only

01. Sparx Group

AUM (US\$) as at Oct 07 4.146 bn (estimated)	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Tokyo	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Shuhei Abe

02. Platinum

AUM (US\$) as at Sep 07 \$3.981bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	Platinum Asia Fund Platinum Japan Fund	\$3,246 \$717	Andrew Clifford James Simpson	Equity long/short Equity long/short	Kerr Neilson Andrew Clifford James Simpson Toby Harrop Malcolm Halstead

03. Artradis

AUM (US\$) as at Oct 07 \$2.87bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	Barracuda Fund	Not disclosed	Richard Magides/Stephen Diggle	Multiple equity arbitrage	Richard Magides Stephen Diggle
	AB2 Fund		Richard Magides/Stephen Diggle	Multiple equity arbitrage	
	Naga Funds		Ian Roberts/Michael Marusiak	Short bias, long bias, market neutral	

04. Ellerston Capital

AUM (US\$) as at Oct 07 \$2.7bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	Ellerston Asia Pacific Fund Ellerston Global Equity Managers Fund	\$199 \$2,500	Ashok Jacob Ashok Jacob	Asian equity long/short Global equity long/short	Ashok Jacob Glenn Poswell

05. PM Capital

AUM (US\$) as at Nov 07 \$2.648bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	Absolute Performance Fund USD Australian Opportunities Fund USD Enhanced Yield Fund	\$1,522 \$515 \$611	Paul Moore/Miles Webster Paul Moore/Ashley Pittard Paul Moore/Jarod Dawson	Global equity long/short Australian equity long/short Multi-strategy	Paul Moore Miles Webster Ashley Pittard

06. Ward Ferry

AUM (US\$) as at Sep 07 \$2.036bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Hong Kong	WF Asia Fund	\$1,274	Team Approach	Equity long/short	Scobie Ward Peter Ferry
	WF Japan Fund	\$244	Team Approach	Equity long/short	
	WF Smaller Companies Fund	\$518	Team Approach	Predominantly equity long/short	

07. Grinham Managed Funds

AUM (US\$) as at Oct 07 \$1.955bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	Grinham Diversified Program	\$1,955	Grinham Managed Funds	CTA/Managed futures	Angus Grinham Richard Grinham

08. Tantallon Capital

AUM (US\$) as at Sep 07 \$1.433bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	Tantallon Fund	Not disclosed	Nick Harbinson	Equity long/short	Nicholas Harbinson James Anderson/ Alexander Hill
	Tantallon BRIC Fund		Tariq Ahmad	Long bias, value driven long/short	
	Tantallon Smaller Comp		Steve Sun	Long bias long/short	

09. Portfolio Partners

AUM (US\$) as at Sep 07 \$1.38bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	Portfolio Partners High Growth Shares	\$1,380	Not disclosed	Equity long/short	Not disclosed

10. Treeline Investment Management

AUM (US\$) as at Sep 07 \$1.3bn (estimated)	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Hong Kong	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed

11. Aisling Analytics

AUM (US\$) as at Oct 07 \$1.2bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	The Merchant Commodity Fund	\$1,200	Not disclosed	Global commodities	Michael Coleman/ Douglas King

12. LIM Advisors

AUM (US\$) as at Nov 07 \$1.2bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founder
Location Hong Kong	LIM Asia Arbitrage Fund LIM Asia Alt. Real Estate Fund LIM Japan Fund	Not disclosed	Not disclosed Not disclosed Not disclosed	Multi-strategy arbitrage Multi-strategy Japan event-driven multi-strategy	George Long

13. Kaiser Trading

AUM (US\$) as at end Nov 07 \$1.150bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Melbourne	Not disclosed	Not disclosed	Not disclosed	Short term CTA	Tony Kaiser

14. Nezu Asia

AUM (US\$) as at Sep 07 \$1.149bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Hong Kong	Nezu Cayman Fund	\$569	Not disclosed	Japan-focussed Pan Asia equity long/short	David Snoddy
	Nezu Cyclical Fund	\$432	Not disclosed	Japan-focussed Pan Asia equity long/short	
	Nezu Asia-Mid Cap Fund	\$39	Not disclosed	Asia ex-Japan mid & small cap equity long/short	

15. LAPP Capital

AUM (US\$) as at Oct 07 \$1.1bn (estimated)	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	LAPP Opportunity Fund	Not disclosed	Not disclosed	Equity long/short	Not disclosed

16. Helios Capital Management

AUM (US\$) as at end Nov 07 \$1.08bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	Helios Strategic Fund	\$985.85	Samir Arora	Equity long/short	Dave Williams Karan Trehan Samir Arora
	Helios Strategic Fund II	\$94.49	Samir Arora	Equity long/short	

17. Prime Capital

AUM (US\$) as at Sep 07 \$1.037bn	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	Dragon Billion China Fund	\$261	Huiman Wu	Equity long/short	Huiman Wu Yijun Liu
	Dragon Billion Greater China Fund	\$776	Yijun Liu	Equity long/short	

18. MQ Specialist Investment Management

AUM (US\$) as at Nov 07 \$958.63m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	MQ Asia Long/Short Fund	\$671.65	Nick Bird	Equity long/short	Greg Mackay
	MQ Asian Multi Strategy Fund	\$173.42	Terence Kwan	Multi-strategy	
	MQ Special Events Fund	\$113.56	Tuan Luu	Event-driven	

19. Optimal

AUM (US\$) as at Oct 07 \$936.91m (estimated)	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Sydney	Optimal Asia Fund	\$167.4	Not disclosed	Equity long/short	
	Optimal Japan Fund	\$760.51	Not disclosed	Equity long/short	

20. Symphony Financial

AUM (US\$) as at Oct 07 \$930m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	SFP Value Realization Fund	\$750	Not disclosed	Engaged value	D. Baron K. Shibata
	SFP Asia Fund	\$180		Engaged value	

21. UG Investment Advisors

AUM (US\$) as at Nov 07 \$903m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	UG Formosa Multi-Strategy Fund	\$106.9	Not disclosed	Multi-strategy	Eugene Wang Richard Fan
	UG Adwell Great Wall Absolute Return Fund	\$23.8			
	UG Formosa Patriot Fund	\$52.6			
	UG Great Wall Hidden Value Fund	\$282.4			
	UG Hidden Dragon Balance Fund	\$206.5			
	UG Hidden Dragon Undervalued Assets Fund	\$130.7			
	UG Hidden Dragon Special Opportunity Fund	\$100.2			

22. Greenwoods Asset Management

AUM (US\$) as at Oct 07 \$900m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Hong Kong	Golden China Fund	\$900	George Jiang	Equity long/short	Not disclosed

23. ADM Capital

AUM (US\$) as at Oct 07 \$893m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Hong Kong	ADM Galleus Fund	\$893	Not disclosed	Distressed debt and special situations	Robert Appleby Dennys Firth Chris Botssord

24. JL Capital Pte Ltd

AUM (US\$) as at Oct 07 \$852m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Singapore	Swordfish Fund Ltd	\$782	Not disclosed	Macro Equity long/short	James Loh
	Swordfish Asian Equity	\$69			

25. Asuka

AUM (US\$) as at Nov 07 \$804m	Fund Name(s)	Size (US\$m)	Fund Manager(s)	Strategy/style	Founders/Principals
Location Tokyo	Value Up Fund	\$332	Various	Event-driven Multi-strategy Equity long/short	Mamoru Taniya Toshihiro Hirao Kazuho Toyoda
	Asuka Opportunities Fund	\$259	Various		
	Asuka Japanese L/S equity	\$216	Various		