

INVESTMENTS STATISTICAL DIGEST



INTRODUCTION

The Cayman Islands Monetary Authority (CIMA) is pleased to release its 2013 Investments Statistical Digest (Digest). This issue presents the 2013 aggregate statistics gathered from approximately 8,700 regulated funds.

In addition to the Statistical Trend Analysis Section, which compares the 2013 figures with those of 2012, this edition of the Digest also includes trend analysis for Master Funds, comparing 2013 and 2012 data, as well as Statistical Stand-Alone Analysis.

Key Points:

- Net Asset Value of regulated funds increased by 8% to USD2.127 trillion.
- There were 11,379 regulated funds at 2013 year end-
 - 2,635 Master Funds, compared to 1,891 in 2012
 - 8,744 Registered, Administered and Licensed Funds, compared to 8,950 in 2012
- Net income for Registered, Administered and Licensed Funds in 2013 was US\$186 billion, compared to US\$138 billion in 2012.
- Net income for Master Funds increased to US\$158 billion from US\$88 billion in 2012.
- 37% of all funds that filed the FAR in 2013 had total assets of more than US\$100 million
- Multi-Strategy continued as most popular investment strategy during 2013
- Fixed Income replaced Long/short Equity as the second most popular strategy
- New York and the United Kingdom continued as the top two investment manager locations.

2013

2013/2012 Statistical Trend Analysis

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Registered, Administered
and Licensed Funds

Master Funds

2013 Statistical Stand-Alone Analysis

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STATISTICAL TREND ANALYSIS

HIGHLIGHTS - Growth in NAV and net income for the year



US\$2.127
Trillion
Net Asset Value³

There were 538 more funds registered with CIMA in 2013 compared to 2012. The Net Asset Value (NAV) for Registered, Administered and Licensed Funds increased by US\$123 billion to US\$1.983 trillion and net income increased by US\$48 billion to US\$186 billion in 2013. The NAV of Master Funds increased by US\$377 billion to US\$1.230 trillion and net income increased by US\$70 billion to US\$158 billion.

The information presented below captures all funds with a financial year-end within the 2013 and 2012¹ calendar years that filed a Fund Annual Return (FAR) via CIMA's electronic reporting system (E-Reporting). There were 8,705 regulated funds that filed a 2013 FAR, while the 2012 figures represents 8,383 funds.

The data collected for 2013 represents approximately 82% of Cayman Islands-regulated funds that had a financial year-end during 2013² and 77% of all funds regulated in the jurisdiction as at December 2013 (see figure 2).

Figure 1

	2013	2012
Net Asset Value of all Regulated Mutual Funds ³	US\$2.127 trillion	US\$1.964 trillion
Net Asset Value of Registered, Administered and Licensed Funds	US\$1.983 trillion	US\$1.860 trillion
Net Asset Value of Master Funds	US\$1.230 trillion	US\$853 billion
Total subscriptions (and redemptions) by Registered, Administered and Licensed Funds	US\$648 billion (US\$547 billion)	US\$570 billion (US\$562 billion)
Total subscriptions (and redemptions) by Master Funds	US\$370 billion (US\$305 billion)	US\$243 billion (US\$220 billion)
Return on Gross Assets of Registered, Administered and Licensed Funds	7.9%	5.3%
Return on Gross Assets of Master Funds	6.0%	4.6%
Return on Net Assets of Registered, Administered and Licensed Funds	9.4%	7.4%
Return on Net Assets of Master Funds	12.8%	10.3%
Top location of Investment Managers by ending net assets	New York (30% of net assets)	New York (29% of net assets)
Primary location for NAV calculation services for Registered, Administered and Licensed Funds	United States of America	United States of America
Primary location for NAV calculation services for Master Funds	Cayman Islands	Cayman Islands
Primary location for Registrar and Transfer Agent services for all Funds	Cayman Islands	Cayman Islands
Percentage of Funds requiring a minimum initial investment of US\$1 million or more	50%	49%
Top two investment strategies utilised for Registered, Administered and Licensed Funds	Multi-Strategy (27% of funds)	Multi-Strategy (30% of funds)
	Fixed Income (18% of funds)	Long/Short Equity (17% of funds)
Percentage of Funds suspending trading	4%	4%
Total performance fees of Registered, Administered and Licensed Funds	US\$17 billion	US\$12 billion
Total performance fees of Master Funds	US\$8 billion	US\$3 billion

Total Regulated Funds by Category

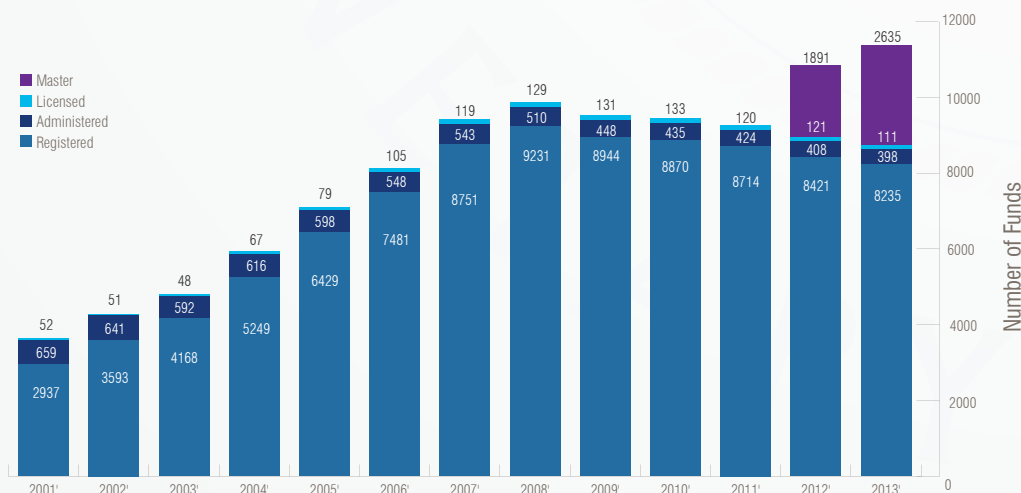
Figure 2

There were a total of 11,379 Funds regulated by CIMA at 2013 Year end, compared to 10,841 in 2012.

¹ The 2012 comparative figures were taken from the Statistical Stand-Alone Analysis section of the 2012 issue of the Digest, which can be found on CIMA's website at www.cimoney.com.ky. Amounts have been adjusted to reflect the impact of Master Fund data.

² A total of 10,616 funds had a financial year-end that occurred within the 2013 calendar year and were due to file a 2013 FAR via E-Reporting. At the date of compilation of this issue of the Digest, 82% (or 8,705 funds) had filed successfully. Of the remaining 18%, 6% were granted regulatory waivers by CIMA and 12% are under regulatory review.

³ The Net Asset Value of all Regulated Mutual Funds is the Net Asset Value of all Registered, Administered, Licensed and Master Funds (including direct investment in Master Funds not regulated in the Cayman Islands) adjusted by the value of all investments in Master Funds by the Registered, Administered and Licensed Funds.





STATISTICAL TREND ANALYSIS

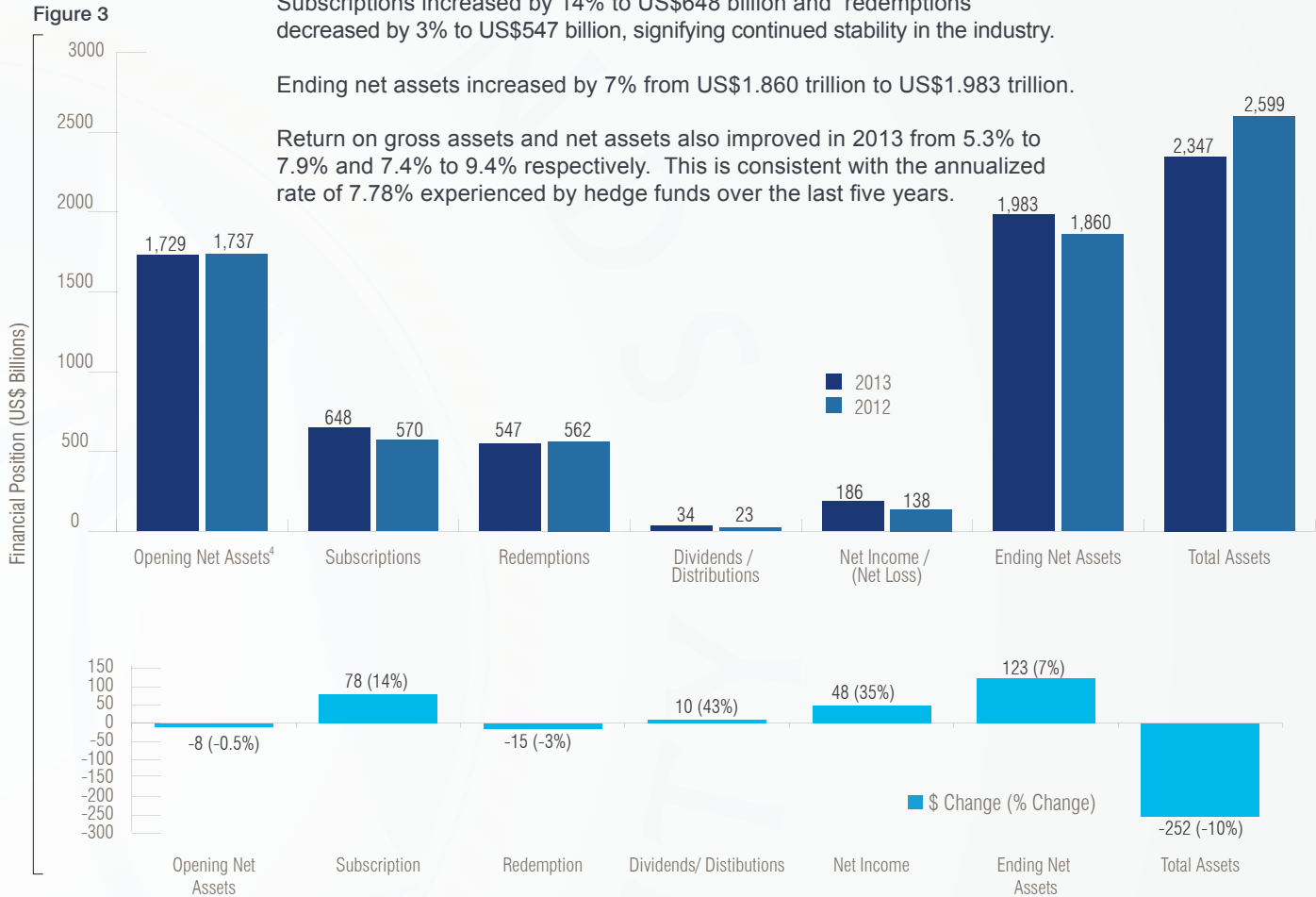
FINANCIAL POSITION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

The data in figure 3 shows continued growth in net income year on year. Total net income was \$186 billion in 2013 and \$138 billion in 2012, an increase of 35%.

Subscriptions increased by 14% to US\$648 billion and redemptions decreased by 3% to US\$547 billion, signifying continued stability in the industry.

Ending net assets increased by 7% from US\$1.860 trillion to US\$1.983 trillion.

Return on gross assets and net assets also improved in 2013 from 5.3% to 7.9% and 7.4% to 9.4% respectively. This is consistent with the annualized rate of 7.78% experienced by hedge funds over the last five years.



Financial Position (US\$ Billions)	2013	2012	\$ Change	% Change
Opening Net Assets ⁴	1,729	1,737	-8	-0.5%
Subscriptions	648	570	78	14%
Redemptions	547	562	-15	-3%
Dividends / Distributions	34	23	11	48%
Net Income	186	138	48	35%
Ending Net Assets	1,983	1,860	123	7%
Total Assets⁵	2,347	2,599	-252	-10%
Return on Gross Assets	7.9%	5.3%		
Return on Net Assets	9.4%	7.4%		

⁴The decrease from the 2012 ending net assets to the 2013 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2013, resulting in a different set of funds filing a 2013 FAR.

⁵A lower figure for Total Assets in 2013 than in 2012 may be attributed to the fact that some funds that were previously Registered Funds moved into the Master Fund category. Additionally, fund liquidations and the fact that a different set of funds filed a FAR for 2012 and 2013 due to terminations and new registrations may also contribute to a lower figure.

STATISTICAL TREND ANALYSIS



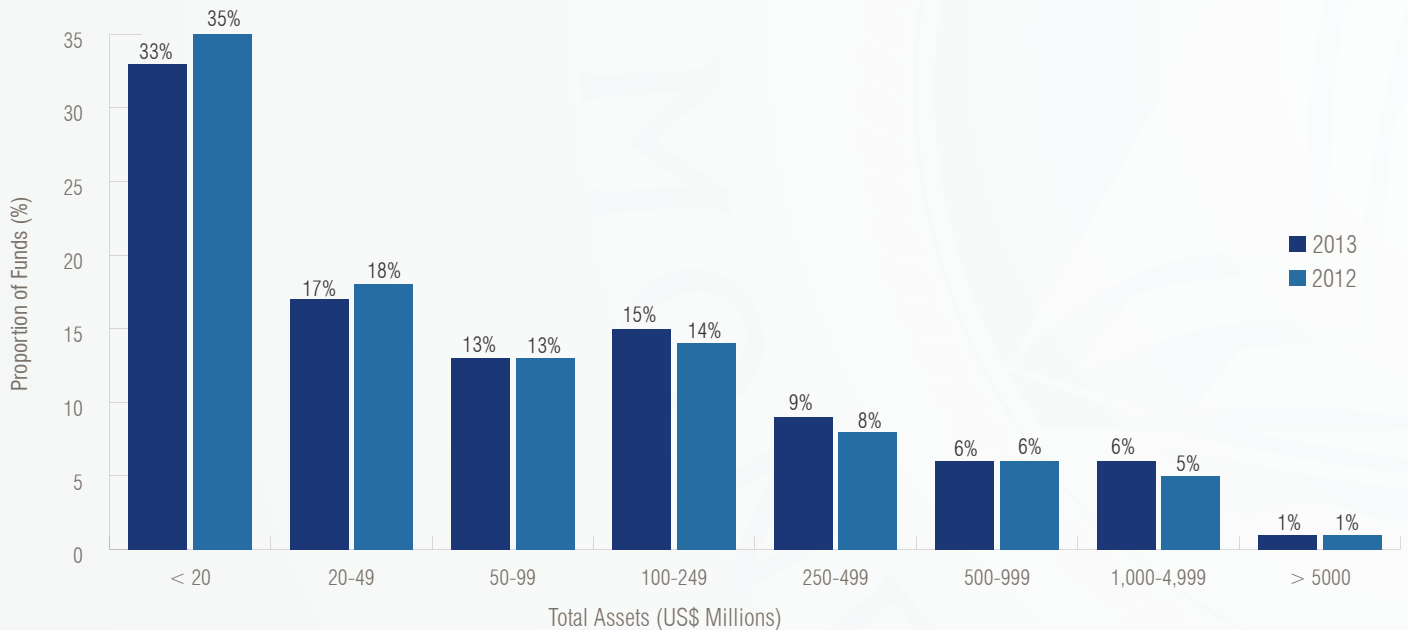
FUND SIZE BY TOTAL ASSETS OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

Based on total assets, no substantial change has been observed in fund sizes. Smaller funds with assets of less than US\$20 million continue to be the most common size of funds, accounting for 33% of the Registered, Administered and Licensed Funds that filed a FAR in 2013.

In total, 63% of all funds that filed a 2013 FAR had total assets of less than US\$100 million, compared to 66% in 2012.

Fund Size (US\$ Millions)	2013	2012
< 20	33%	35%
20-49	17%	18%
50-99	13%	13%
100-249	15%	14%
250-499	9%	8%
500-999	6%	6%
1000-4999	6%	5%
> 5000	1%	1%
Total	100%	100%

Figure 4





STATISTICAL TREND ANALYSIS

INVESTMENT STRATEGY OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

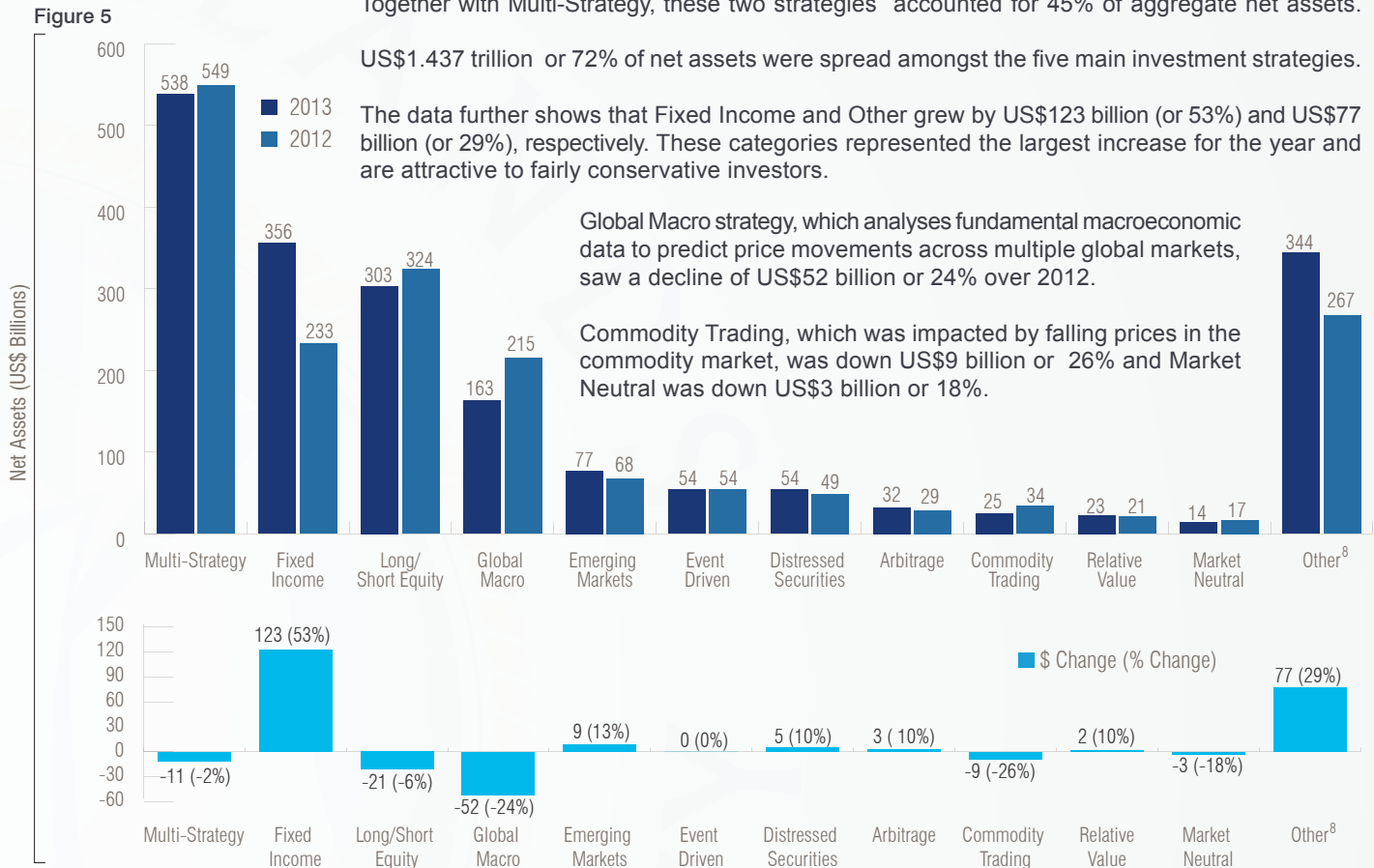
During 2013, Fixed Income replaced Long/Short Equity as the second most popular strategy. Together with Multi-Strategy, these two strategies accounted for 45% of aggregate net assets.

US\$1.437 trillion or 72% of net assets were spread amongst the five main investment strategies.

The data further shows that Fixed Income and Other grew by US\$123 billion (or 53%) and US\$77 billion (or 29%), respectively. These categories represented the largest increase for the year and are attractive to fairly conservative investors.

Global Macro strategy, which analyses fundamental macroeconomic data to predict price movements across multiple global markets, saw a decline of US\$52 billion or 24% over 2012.

Commodity Trading, which was impacted by falling prices in the commodity market, was down US\$9 billion or 26% and Market Neutral was down US\$3 billion or 18%.



Net Assets per Investment Strategy	2013 Net Assets (US\$ Billions)	2013 % Allocated ⁶	2012 Net Assets (US\$ Billions)	2012 % Allocated ⁶	\$ Change ⁷ (US\$ Billions)	% Change
Multi-Strategy	538	27%	549	30%	-11	-2%
Fixed Income	356	18%	233	12%	123	53%
Long/Short Equity	303	15%	324	17%	-21	-6%
Global Macro	163	8%	215	12%	-52	-24%
Emerging Markets	77	4%	68	3%	9	13%
Event Driven	54	3%	54	3%	0	0%
Distressed Securities	54	3%	49	3%	5	10%
Arbitrage	32	2%	29	2%	3	10%
Commodity Trading	25	1%	34	2%	-9	-26%
Relative Value	23	1%	21	1%	2	10%
Market Neutral	14	1%	17	1%	-3	-18%
Other ⁸	344	17%	267	14%	77	29%
Total	1,983	100%	1,860	100%	123	

⁶ The percentage of total net assets allocated to the investment strategy during the year specified.

⁷ The change in net assets allocated to an investment strategy from 2013 compared to 2012.

⁸ Other investment strategy consist of index tracking, managed futures, fund of funds, capital appreciation, private equity, real estate etc.

STATISTICAL TREND ANALYSIS

ASSET ALLOCATION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

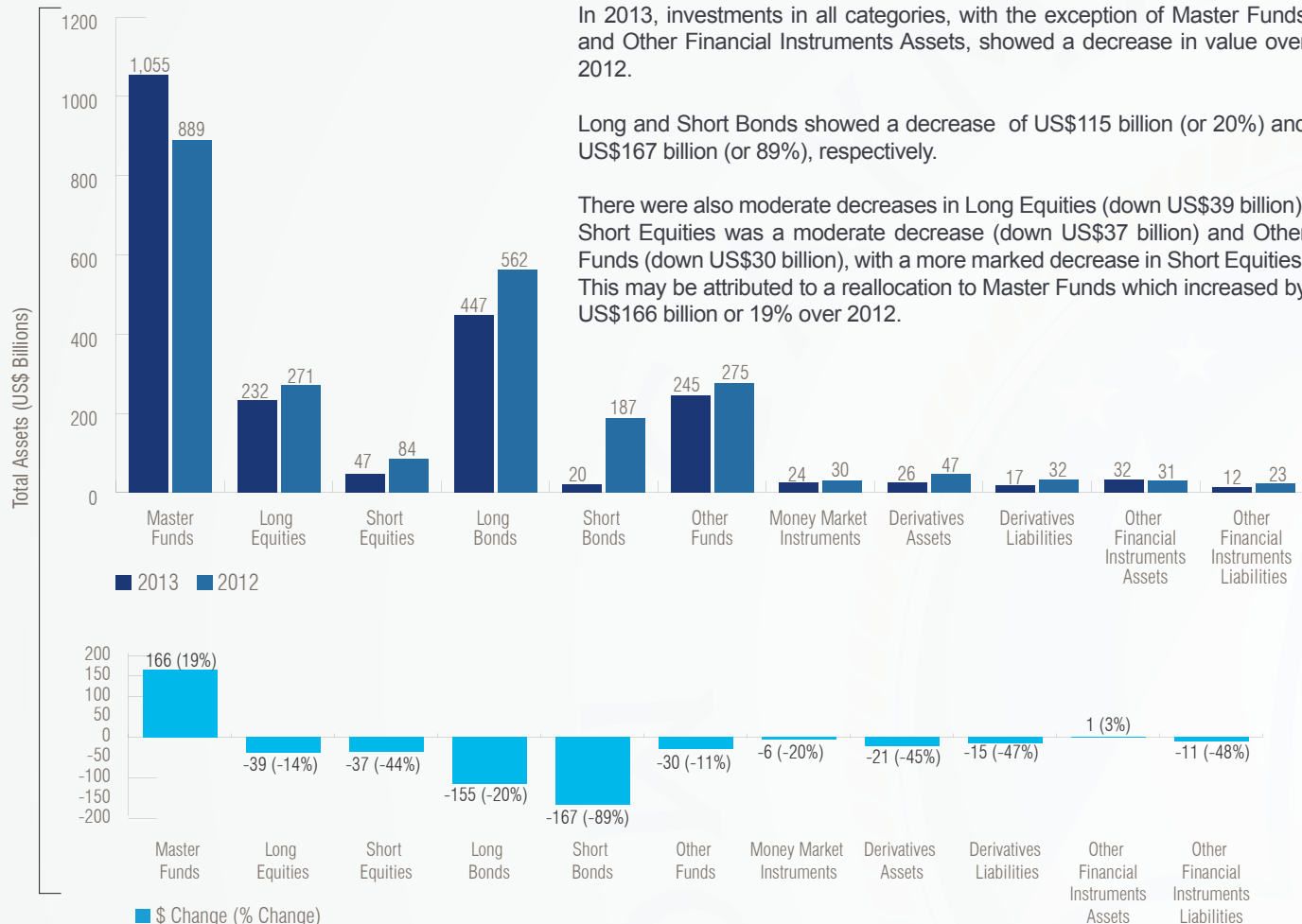


Figure 6

In 2013, investments in all categories, with the exception of Master Funds and Other Financial Instruments Assets, showed a decrease in value over 2012.

Long and Short Bonds showed a decrease of US\$115 billion (or 20%) and US\$167 billion (or 89%), respectively.

There were also moderate decreases in Long Equities (down US\$39 billion), Short Equities was a moderate decrease (down US\$37 billion) and Other Funds (down US\$30 billion), with a more marked decrease in Short Equities. This may be attributed to a reallocation to Master Funds which increased by US\$166 billion or 19% over 2012.



Asset Allocation ⁹	2013 Value (US\$ Billions)	2013 % Allocated	2012 Value (US\$ Billions)	2012 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	1,055	49%	889	37%	166	19%
Long Equities	232	11%	271	11%	-39	-14%
Short Equities	47	2%	84	3%	-37	-44%
Long Bonds	447	21%	562	23%	-115	-20%
Short Bonds	20	1%	187	8%	-167	-89%
Other Funds	245	11%	275	12%	-30	-11%
Money Market Instruments	24	1%	30	1%	-6	-20%
Derivatives Assets	26	1%	47	2%	-21	-45%
Derivatives Liabilities	17	1%	32	1%	-15	-47%
Other Financial Instruments Assets	32	1%	31	1%	1	3%
Other Financial Instruments Liabilities	12	1%	23	1%	-11	-48%
Total	2,157	100%	2,431	100%	-274	

⁹ The data presented in the asset allocation table was gathered from the funds that elected to complete the asset allocation section of the FAR, which is an optional section. A total of 91% of funds opted to complete this section for 2013.

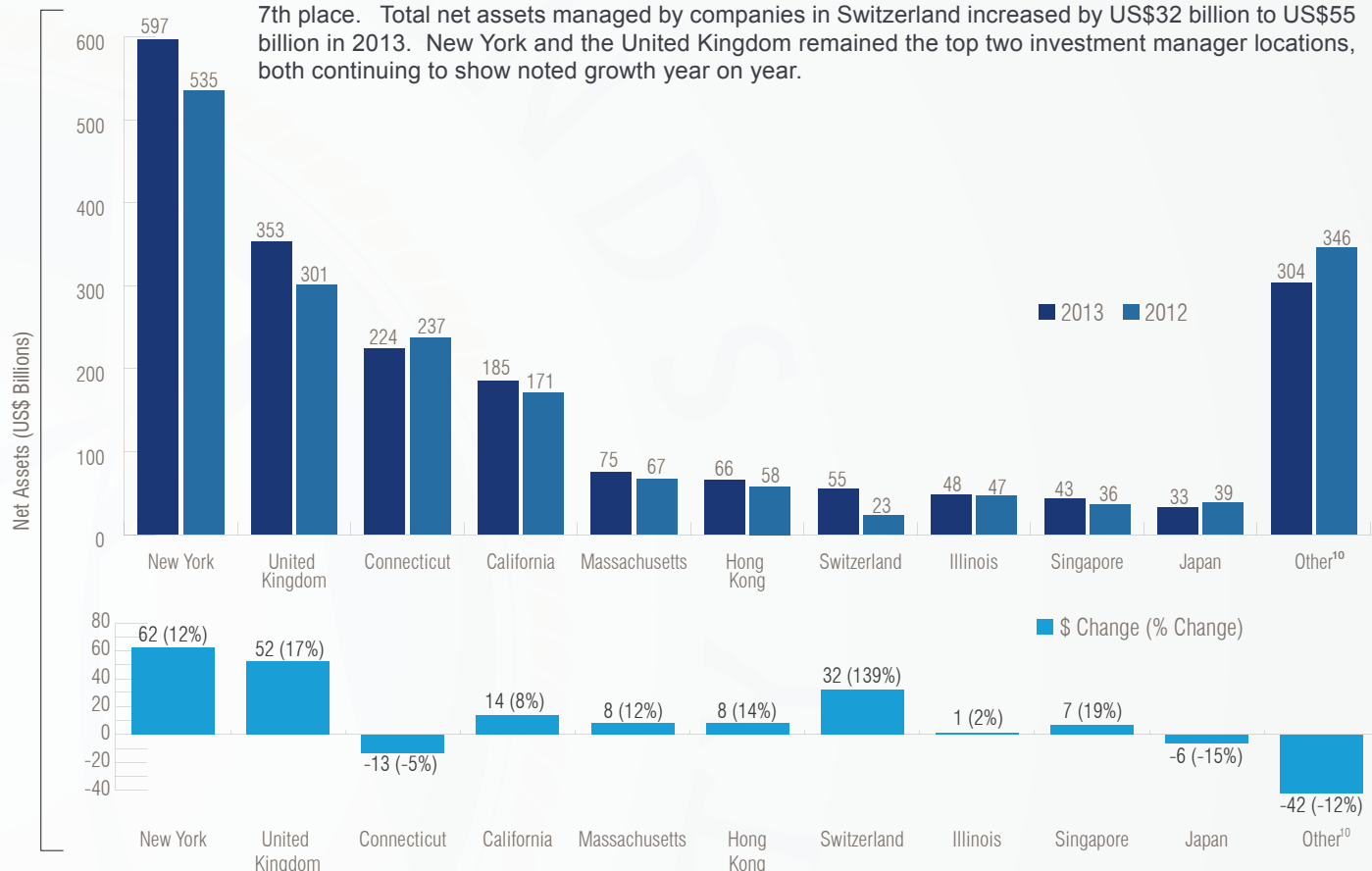


STATISTICAL TREND ANALYSIS

NET ASSETS BY INVESTMENT MANAGER LOCATION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

The table below identifies the top ten investment manager locations in 2013, compared to 2012, as measured by ending net assets held by the investment managers in those locations. In 2013, Switzerland, which was a top ten location in 2011, replaced Liechtenstein in the table and re-entered the top ten in 7th place. Total net assets managed by companies in Switzerland increased by US\$32 billion to US\$55 billion in 2013. New York and the United Kingdom remained the top two investment manager locations, both continuing to show noted growth year on year.

Figure 7



Investment Manager Location	2013 Net Assets (US\$ Billions)	2013 % Allocated	2012 Net Assets (US\$ Billions)	2012 % Allocated	\$ Change (US\$ Billions)	% Change
New York	597	30%	535	29%	62	12%
United Kingdom	353	18%	301	16%	52	17%
Connecticut	224	11%	237	13%	-13	-5%
California	185	9%	171	9%	14	8%
Massachusetts	75	4%	67	3%	8	12%
Hong Kong	66	3%	58	3%	8	14%
Switzerland	55	3%	23	1%	32	139%
Illinois	48	2%	47	3%	1	2%
Singapore	43	2%	36	2%	7	19%
Japan	33	2%	39	2%	-6	-15%
Other ¹⁰	304	16%	346	19%	-42	-12%
Total	1,983	100%	1,860	100%	123	

¹⁰ Investment manager locations that accounted for 1% or less of the aggregate net assets were grouped as 'Other' and thus are considered individually insignificant. The 2012 amount of US\$346 billion is different from the US\$340 billion in the 2012 Digest due to Switzerland being separately presented in the above table and Liechtenstein being included in Other.

STATISTICAL TREND ANALYSIS

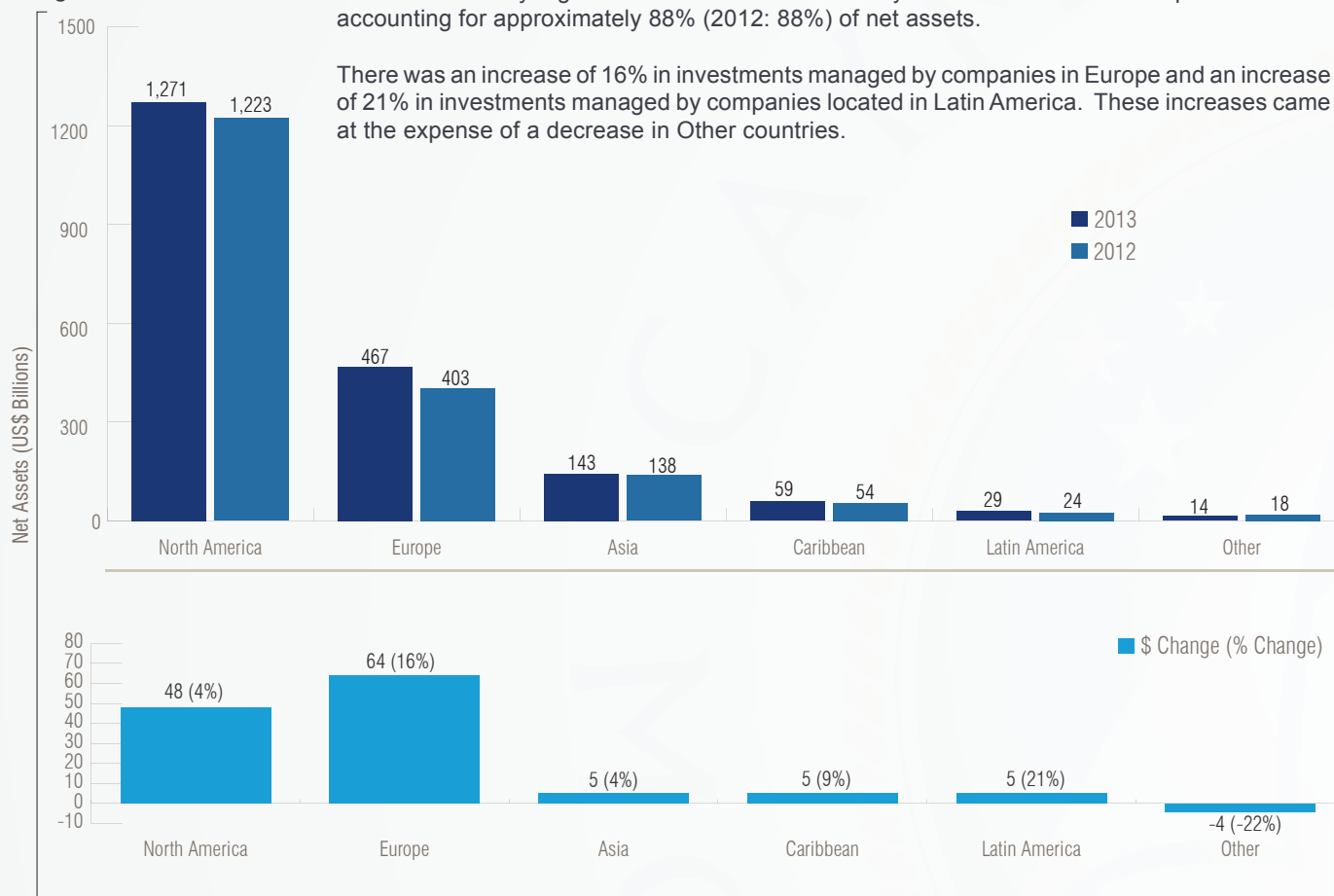
NET ASSETS BY INVESTMENT MANAGER REGION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS



Figure 8

The data presented below shows the allocation of net assets per investment manager by region. Net assets held by region continue to be dominated by North American and European countries accounting for approximately 88% (2012: 88%) of net assets.

There was an increase of 16% in investments managed by companies in Europe and an increase of 21% in investments managed by companies located in Latin America. These increases came at the expense of a decrease in Other countries.



Investment Manager Region	2013 Net Assets (US\$ Billions)	2013 % Allocated	2012 Net Assets (US\$ Billions)	2012 % Allocated	\$ Change (US\$ Billions)	% Change
North America	1,271	64%	1,223	66%	48	4%
Europe	467	24%	403	22%	64	16%
Asia	143	7%	138	7%	5	4%
Caribbean	59	3%	54	3%	5	9%
Latin America	29	1%	24	1%	5	21%
Other	14	1%	18	1%	-4	-22%
Total	1,983	100%	1,860	100%	123	

North America - Canada, USA

Europe - Austria, Denmark, Finland, France, Germany, Guernsey, Ireland, Isle of Man, Italy, Jersey, Luxembourg, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom

Asia - China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, Thailand

Caribbean - Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands

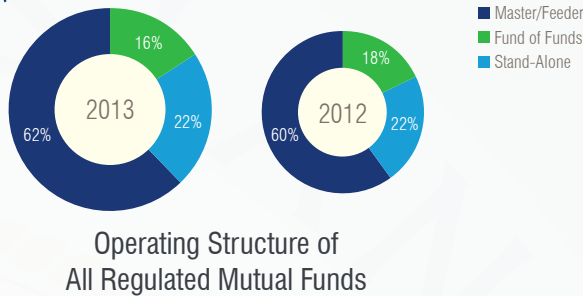
Latin America - Argentina, Brazil, Mexico

Other - Australia, Bahrain, Israel, Kuwait, Mauritius, New Zealand, Saudi Arabia, South Africa, United Arab Emirates



STATISTICAL TREND ANALYSIS

Figure 9

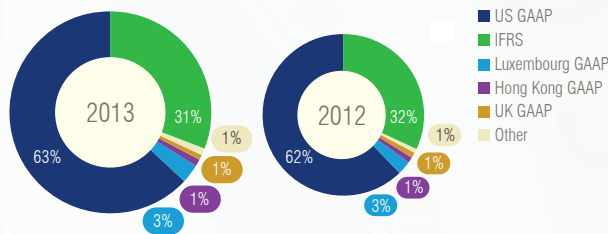


Operating Structure of All Regulated Mutual Funds

Operating Structure	2013	2012
Master / Feeder	62%	60%
Fund of Funds	16%	18%
Stand-Alone	22%	22%

The data presented combine the results of Master Funds, Registered, Administered and Licensed Funds in 2013 and 2012. The breakdown of funds across the three main operating structures remained relatively unchanged. Of the funds that filed a FAR for 2013, 62% reported using a master/feeder structure, 16% reported a fund of funds structure and the remaining 22% were stand-alone funds.

Figure 10

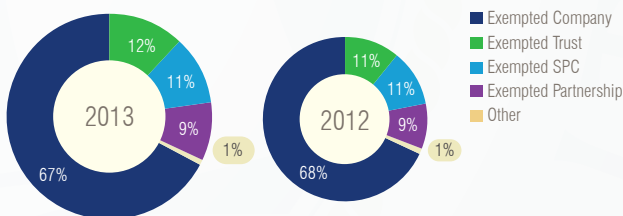


Accounting Standards of All Regulated Mutual Funds

Accounting Standards	2013	2012
US GAAP	63%	62%
IFRS	31%	32%
Luxembourg GAAP	3%	3%
Hong Kong GAAP	1%	1%
UK GAAP	1%	1%
Other	1%	1%

The data presented combine the results of Master Funds, Registered, Administered and Licensed Funds in 2013 and 2012. The two main accounting standards utilized by the majority of all funds are United States Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS). Of the funds that filed a 2013 FAR, 63% presented their financial statements using US GAAP and 31% used IFRS. The data indicates that Luxembourg GAAP was used by 3% of funds. The remaining 3% used accounting principles and standards from various other jurisdictions.

Figure 11

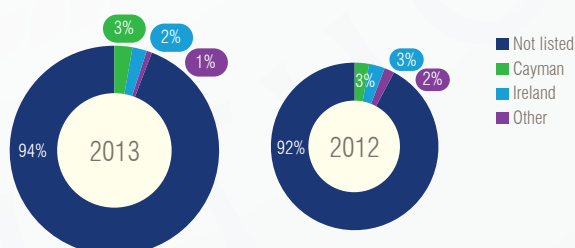


Legal Structure of All Regulated Mutual Funds

Legal Structure	2013	2012
Exempted Company	67%	68%
Exempted Trust	12%	11%
Exempted SPC	11%	11%
Exempted Partnership	9%	9%
Other	1%	1%

The data presented combine the results of Master Funds, Registered, Administered and Licensed Funds in 2013 and 2012. The Exempted Company remains the most popular legal structure used by funds. Of the funds that filed a 2013 FAR, 67% were Exempted Companies, 12% were Exempted Trusts, 11% were Exempted Segregated Portfolio Companies (SPCs), 9% were Exempted Partnerships, and the remaining 1% were attributed to Exempted Limited Duration Companies, Foreign Partnerships, Companies and Unit Trusts. For Master Funds, Exempted Partnerships account for 23% of the funds filing a FAR in 2013.

Figure 12



Stock Exchange of All Regulated Mutual Funds

Stock Exchange	2013	2012
Not listed	94%	92%
Cayman Islands	3%	3%
Ireland	2%	3%
Other	1%	2%

Of the funds that filed a 2013 FAR, 94% did not list their equity interests on a recognised stock exchange. This is consistent with the results in 2012. 3% of the funds were listed in Cayman and 2% were listed on the Irish Stock Exchange down from 3% in 2012. Other stock exchanges accounted for the remaining 1%.

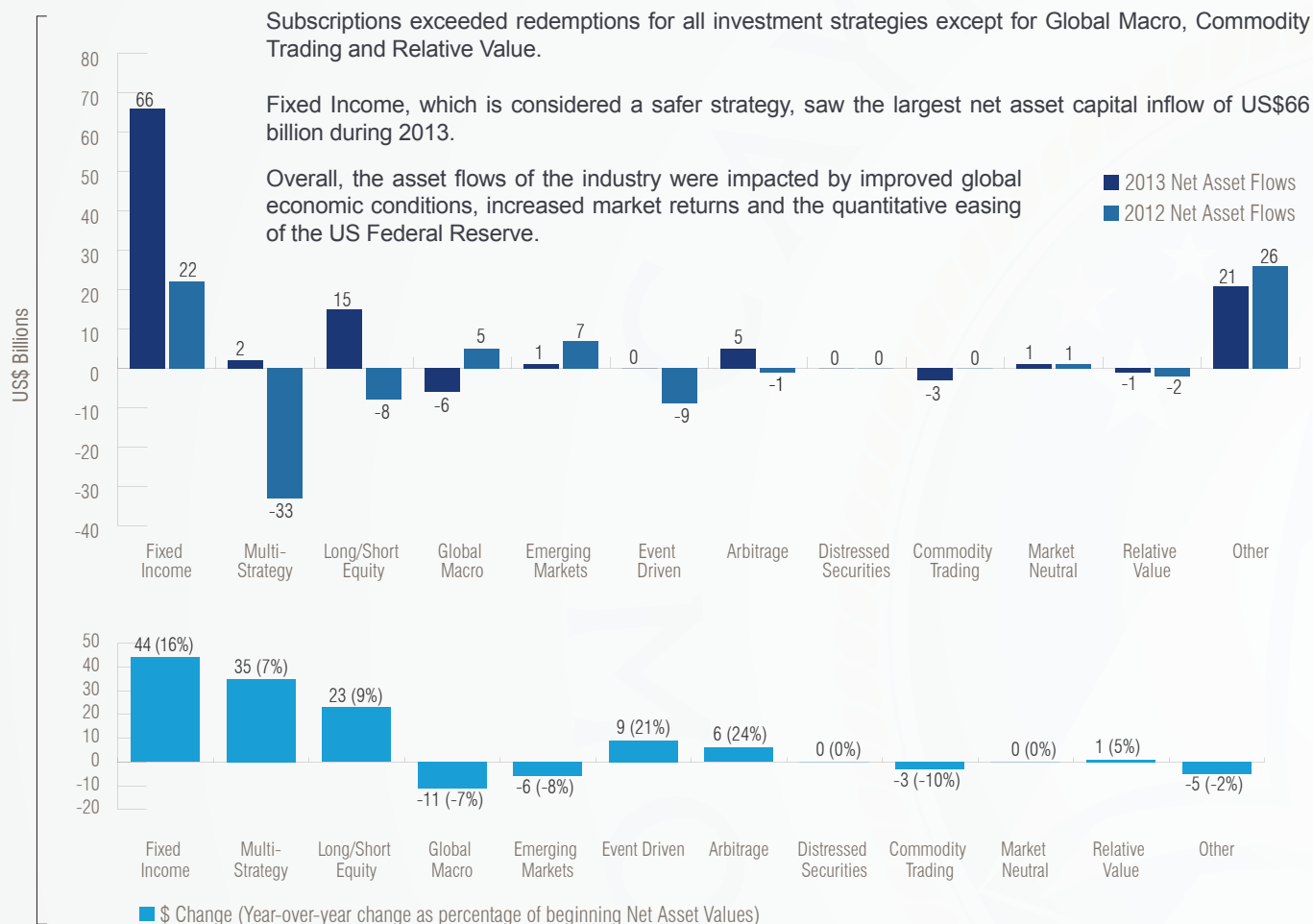
STATISTICAL TREND ANALYSIS

ASSET FLOWS BY INVESTMENT STRATEGY OF REGISTERED, ADMINISTERED AND LICENSED FUNDS



In 2013, net asset capital flows of US\$101 billion exceeded the 2012 amount of only US\$8 billion. The improvement can be attributed to subscriptions to mutual funds at an increasing rate to take advantage of the improvements in returns.

Figure 13



Investment Strategy	2013 Subscriptions (US\$ Billions)	2013 Redemptions (US\$ Billions)	2013 Net Asset Flows (US\$ Billions)	2012 Subscriptions (US\$ Billions)	2012 Redemptions (US\$ Billions)	2012 Net Asset Flows (US\$ Billions)	Year-over-year Change in Net Asset Flows (US\$ Billions)
Fixed Income	160	94	66	97	75	22	44
Multi-Strategy	133	131	2	108	141	-33	35
Long/Short Equity	73	58	15	87	95	-8	23
Global Macro	34	40	-6	50	45	5	-11
Emerging Markets	21	20	1	22	15	7	-6
Event Driven	14	14	0	12	21	-9	9
Arbitrage	12	7	5	8	9	-1	6
Distressed Securities	10	10	0	11	11	0	0
Commodity Trading	8	11	-3	11	11	0	-3
Market Neutral	6	5	1	6	5	1	0
Relative Value	5	6	-1	5	7	-2	1
Other	172	151	21	153	127	26	-5
Total	648	547	101	570	562	8	93

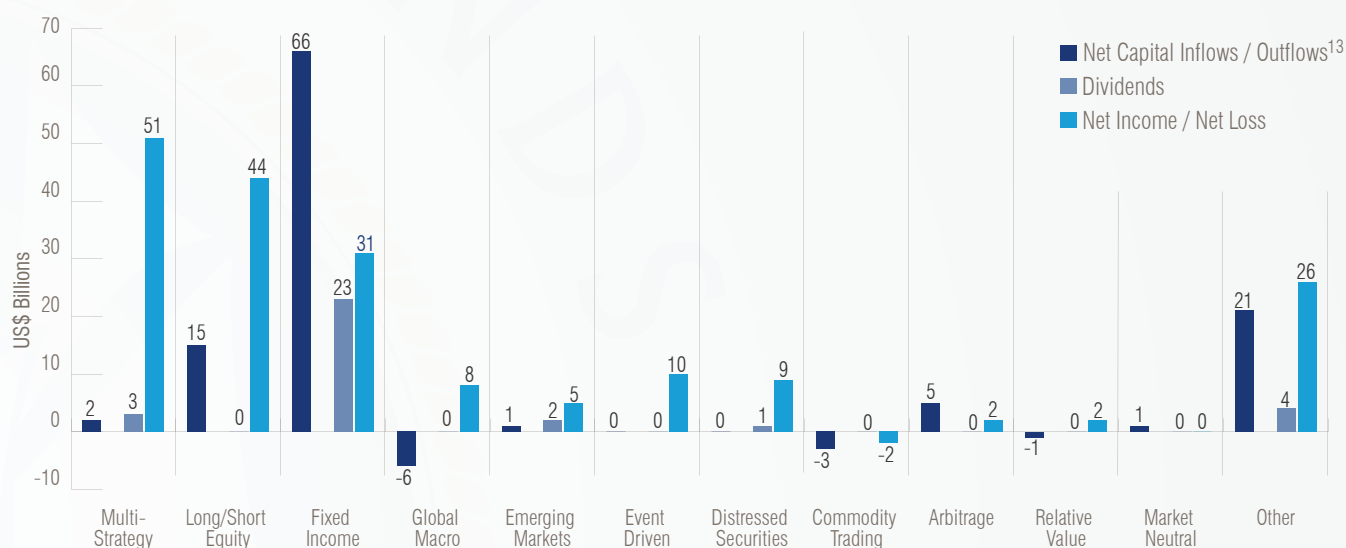


STATISTICAL STAND-ALONE ANALYSIS

CHANGE FACTORS IN NET ASSETS BY INVESTMENT STRATEGY OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

Ending net assets for all of the investment strategies increased during 2013 with the exception of Commodity Trading. Total subscriptions exceeded redemptions by US\$101 billion (2012: US\$8 billion), although funds invested in Global Macro, Commodity Trading and Relative Value strategies experienced higher redemptions than subscriptions (ie. negative net capital inflow). Commodity Trading was also the only strategy to report a net loss during 2013. Total net income reported for the year was US\$186 billion, compared to US\$138 billion in 2012. Dividends of US\$33 billion were paid in 2013, compared to \$23 billion in 2012.

Figure 14



Investment Strategy	Opening Net Assets ¹¹	Ending Net Assets	Change in Net Assets ¹²	Net Capital Inflows / Outflows ¹³	Dividends	Net Income/ Net Loss
Multi-Strategy	488	538	50	2	3	51
Long/Short Equity	244	303	59	15	0	44
Fixed Income	282	356	74	66	23	31
Global Macro	161	163	2	-6	0	8
Emerging Markets	73	77	4	1	2	5
Event Driven	44	54	10	0	0	10
Distressed Securities	46	54	8	0	1	9
Commodity Trading	30	25	-5	-3	0	-2
Arbitrage	25	32	7	5	0	2
Relative Value	22	23	1	-1	0	2
Market Neutral	13	14	1	1	0	0
Other	301	344	43	21	4	26
Total	1,729	1,983	254	101	33	186

¹¹ The decrease from the 2012 ending net assets to the 2013 opening net assets is attributed to new fund authorizations, de-registrations and regulatory waivers during 2013 resulting in a different set of funds filing a 2013 FAR

¹² Calculated as 2013 Ending Net Assets minus 2013 Opening Net Assets

¹³ Calculated as 2013 Subscriptions minus 2013 Redemptions.

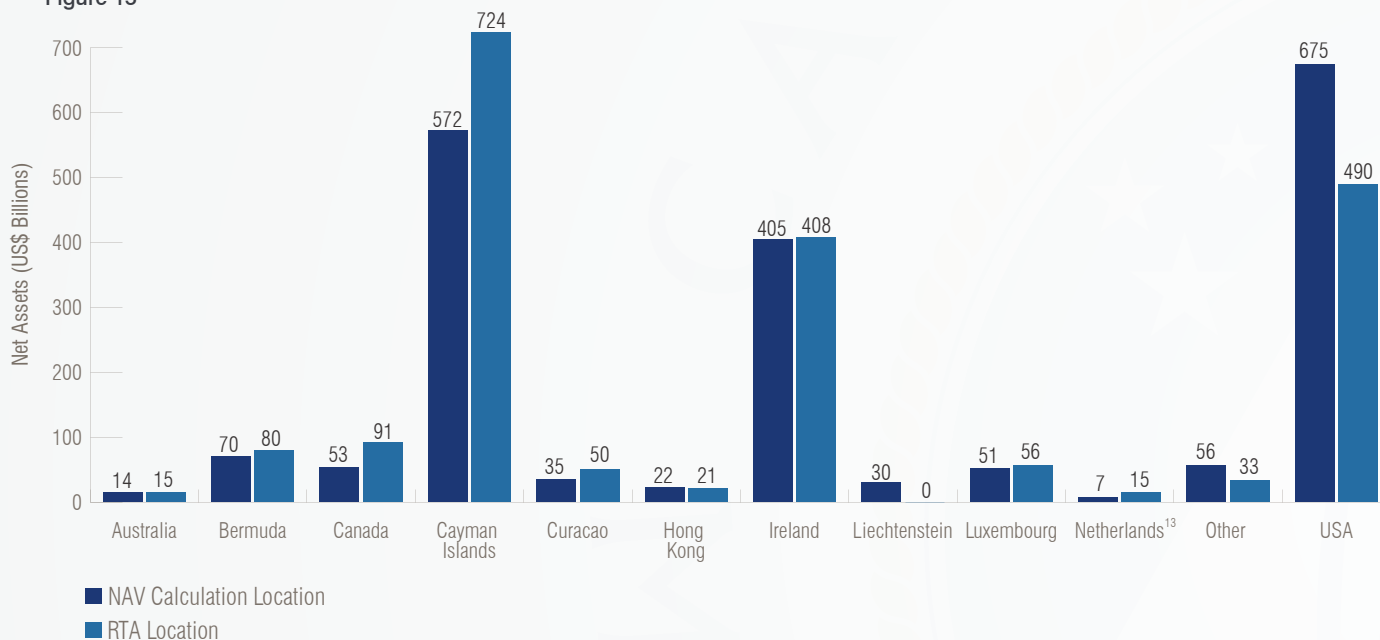
STATISTICAL STAND-ALONE ANALYSIS



FUND ADMINISTRATION LOCATION OF REGISTERED, ADMINISTERED AND LICENSED FUNDS

The below data shows that during 2013, the USA remained the leading fund administration location for Net Asset Value (NAV) calculation services, accounting for 34% or US\$675 billion of the net assets of Registered, Administered and Licensed Funds that filed a FAR. The Cayman Islands also remained the leading provider of Registrar and Transfer Agency (RTA) services, accounting for 37% or US\$724 billion of the net assets of funds. The USA, Cayman Islands, and Ireland accounted for 82% (2012: 83%) or US\$1.652 trillion of NAV calculation services, and 83% (2012: 80%) or US\$1.622 trillion of RTA services for funds that filed a FAR for 2013.

Figure 15



NAV Calculation Location ¹⁴	Net Assets (US\$ Billions)	Percentage
USA	675	34%
Cayman Islands	572	28%
Ireland	405	20%
Bermuda	70	4%
Canada	53	3%
Luxembourg	51	3%
Curacao	35	2%
Liechtenstein	30	1%
Hong Kong	22	1%
Australia	14	1%
Other	56	3%
Total	1,983	100%

RTA Location ¹⁵	Net Assets (US\$ Billions)	Percentage
Cayman Islands	724	37%
USA	490	25%
Ireland	408	21%
Canada	91	4%
Bermuda	80	4%
Luxembourg	56	2%
Curacao	50	2%
Hong Kong	21	1%
Netherlands	15	1%
Australia	15	1%
Other	33	2%
Total	1,983	100%

¹⁴ Top five USA states: Massachusetts (339), New York (136), New Jersey (57), Illinois (27), Pennsylvania (24), other USA states (92)

¹⁵ Top five USA states: Massachusetts (293), New York (94), Pennsylvania (22), Connecticut (19), Minnesota (15), other USA states (47)

¹⁴ Net Assets are presented for Netherlands in the graph, however it is not one of the top ten locations for NAV services.

¹⁵ Net Assets are presented for Liechtenstein in the graph, however it is not one of the top ten locations for RTA services.

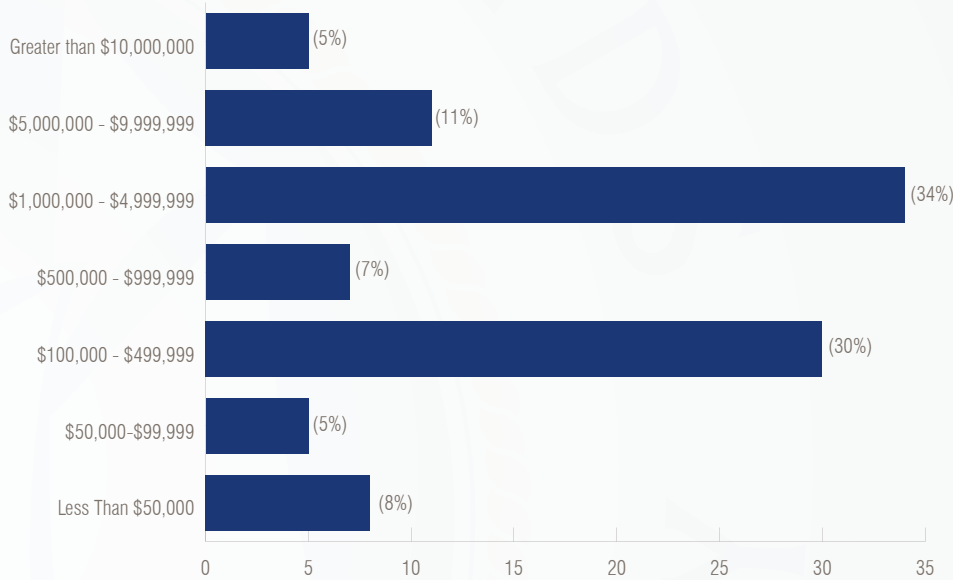


STATISTICAL STAND-ALONE ANALYSIS

MINIMUM INITIAL SUBSCRIPTION AMOUNT

The majority of funds regulated by CIMA are investment funds that cater to sophisticated, high net-worth individuals or institutional investors. The minimum initial subscription amount required by CIMA for registered funds is US\$100,000 unless listed on a stock exchange. Of the regulated funds that filed a FAR for 2013, 50% required a minimum initial investment of US\$1,000,000 or greater.

Figure 16



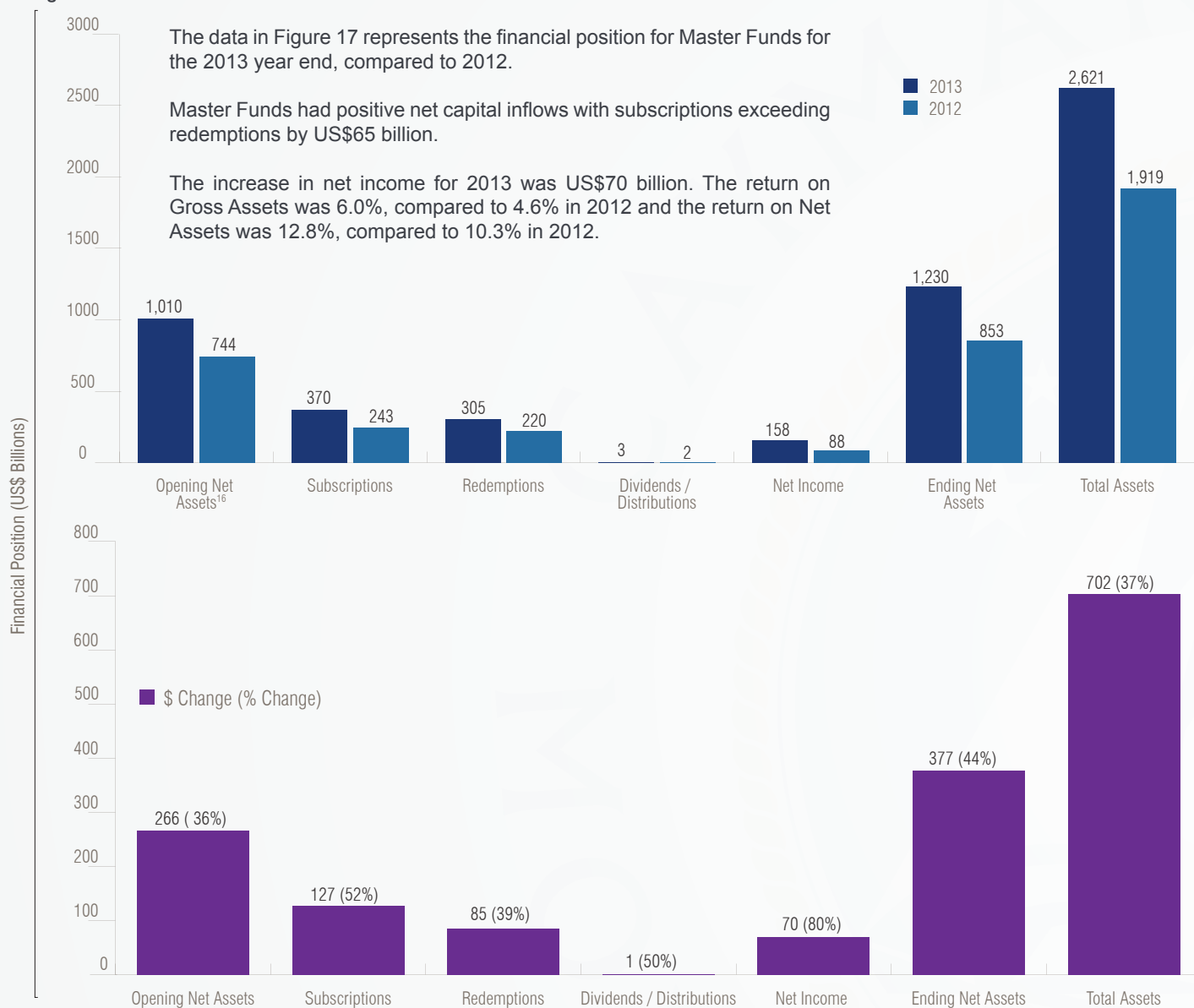
Minimum Initial Subscription Amount (US\$)	2013
Greater than \$10,000,000	5%
\$5,000,000 - \$9,999,999	11%
\$1,000,000 - \$4,999,999	34%
\$500,000 - \$999,999	7%
\$100,000 - \$499,999	30%
\$50,000-\$99,999	5%
Less Than \$50,000	8%
Total	100%

STATISTICAL TREND ANALYSIS

FINANCIAL POSITION OF MASTER FUNDS



Figure 17



Financial Position (US\$ Billions)	2013	2012	\$ Change	% Change
Opening Net Assets ¹⁶	1,010	744	266	36%
Subscriptions	370	243	127	52%
Redemptions	305	220	85	39%
Dividends / Distributions	3	2	1	50%
Net Income	158	88	70	80%
Ending Net Assets	1,230	853	377	44%
Total Assets	2,621	1,919	702	37%
Return on Gross Assets	6.0%	4.6%		
Return on Net Assets	12.8%	10.3%		

¹⁶ The increase from the 2012 ending net assets to the 2013 opening net assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2013, resulting in a different set of funds filing a 2013 FAR.



STATISTICAL TREND ANALYSIS

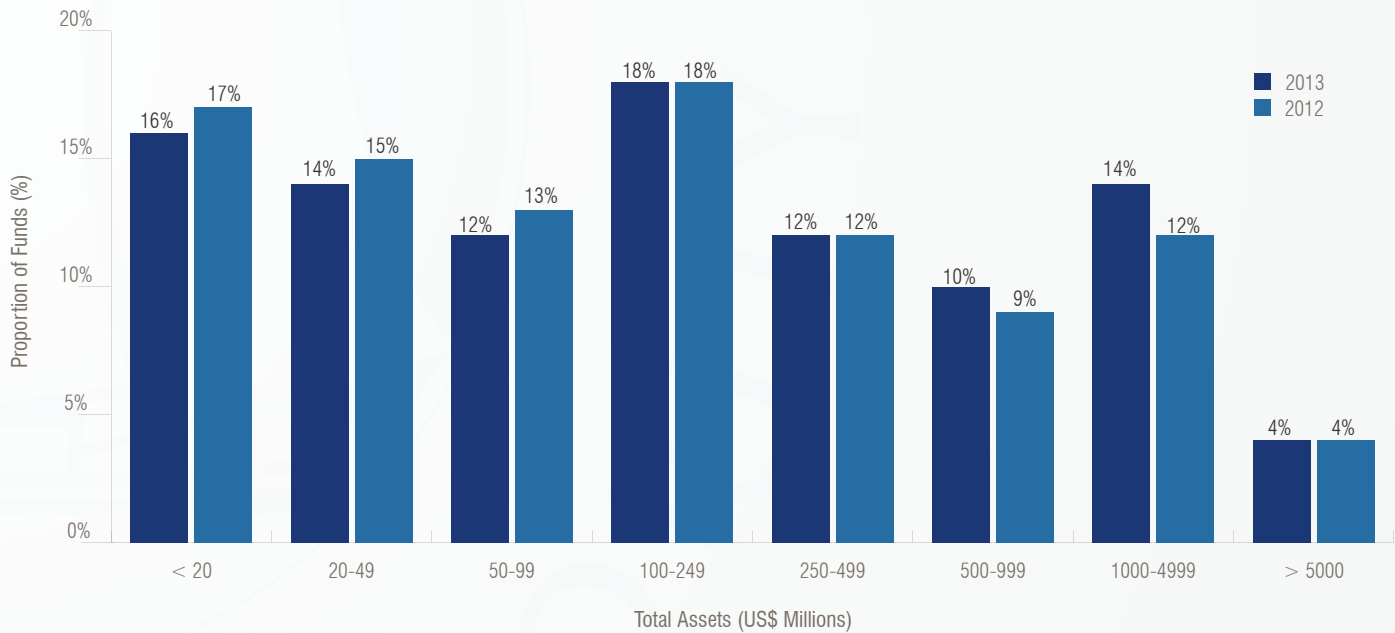
FUND SIZE BY TOTAL ASSETS OF MASTER FUNDS

Master Funds with assets of US\$100 million to US\$249 million are the most common fund size, accounting for 18% of the funds that filed a FAR in 2013.

In total, 60% of all funds that filed a 2013 FAR had total assets of less than US\$250 million, compared to 63% in 2012.

Fund Size (US\$ Millions)	2013	2012
< 20	16%	17%
20-49	14%	15%
50-99	12%	13%
100-249	18%	18%
250-499	12%	12%
500-999	10%	9%
1000-4999	14%	12%
> 5000	4%	4%
Total	100%	100%

Figure 18



STATISTICAL TREND ANALYSIS

INVESTMENT STRATEGY OF MASTER FUNDS



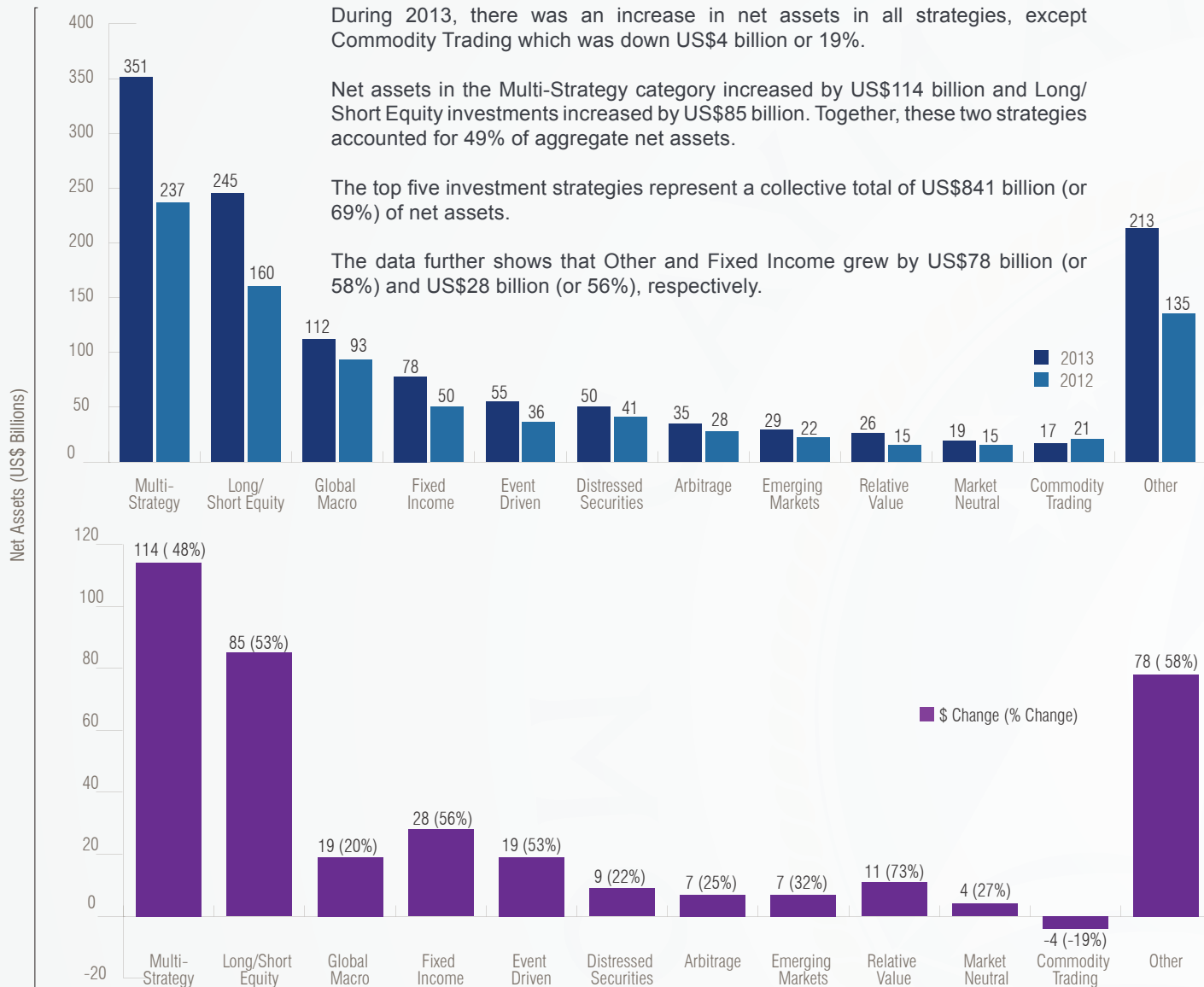
Figure 19

During 2013, there was an increase in net assets in all strategies, except Commodity Trading which was down US\$4 billion or 19%.

Net assets in the Multi-Strategy category increased by US\$114 billion and Long/Short Equity investments increased by US\$85 billion. Together, these two strategies accounted for 49% of aggregate net assets.

The top five investment strategies represent a collective total of US\$841 billion (or 69%) of net assets.

The data further shows that Other and Fixed Income grew by US\$78 billion (or 58%) and US\$28 billion (or 56%), respectively.



Net Assets per Investment Strategy	2013 Net Assets (US\$ Billions)	2013 % Allocated ¹⁷	2012 Net Assets (US\$ Billions)	2012 % Allocated ¹⁷	\$ Change ¹⁸ (US\$ Billions)	% Change
Multi-Strategy	351	29%	237	28%	114	48%
Long/Short Equity	245	20%	160	19%	85	53%
Global Macro	112	9%	93	11%	19	20%
Fixed Income	78	6%	50	6%	28	56%
Event Driven	55	5%	36	4%	19	53%
Distressed Securities	50	4%	41	5%	9	22%
Arbitrage	35	3%	28	3%	7	25%
Emerging Markets	29	2%	22	3%	7	32%
Relative Value	26	2%	15	2%	11	73%
Market Neutral	19	2%	15	2%	4	27%
Commodity Trading	17	1%	21	2%	-4	-19%
Other	213	17%	135	15%	78	58%
Total	1,230	100%	853	100%	377	

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

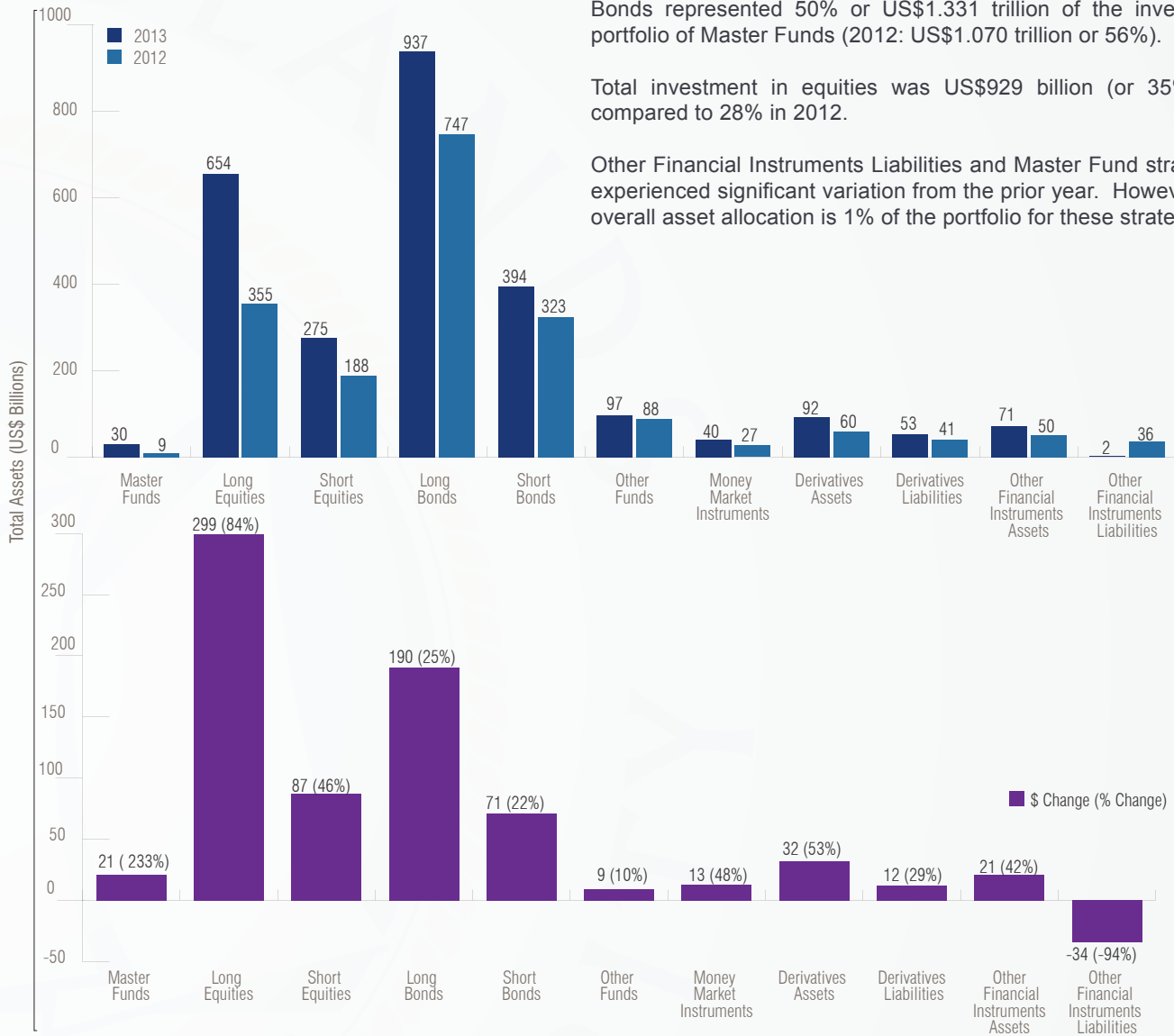
¹⁸ The change in net assets allocated to an investment strategy from 2013 compared to 2012.



STATISTICAL TREND ANALYSIS

ASSET ALLOCATION OF MASTER FUNDS

Figure 20



Asset Allocation ¹⁹	2013 Value (US\$ Billions)	2013 % Allocated	2012 Value (US\$ Billions)	2012 % Allocated	\$ Change (US\$ Billions)	% Change
Master Funds	30	1%	9	1%	21	233%
Long Equities	654	25%	355	18%	299	84%
Short Equities	275	10%	188	10%	87	46%
Long Bonds	937	35%	747	39%	190	25%
Short Bonds	394	15%	323	17%	71	22%
Other Funds	97	4%	88	5%	9	10%
Money Market Instruments	40	2%	27	1%	13	48%
Derivatives Assets	92	3%	60	3%	32	53%
Derivatives Liabilities	53	2%	41	2%	12	29%
Other Financial Instruments Assets	71	3%	50	3%	21	42%
Other Financial Instruments Liabilities	2	0%	36	1%	-34	-94%
Total	2,645	100%	1,924	100%	721	

¹⁹The data presented in the asset allocation table was gathered from the master funds that elected to complete the asset allocation section of the FAR, which is an optional section.

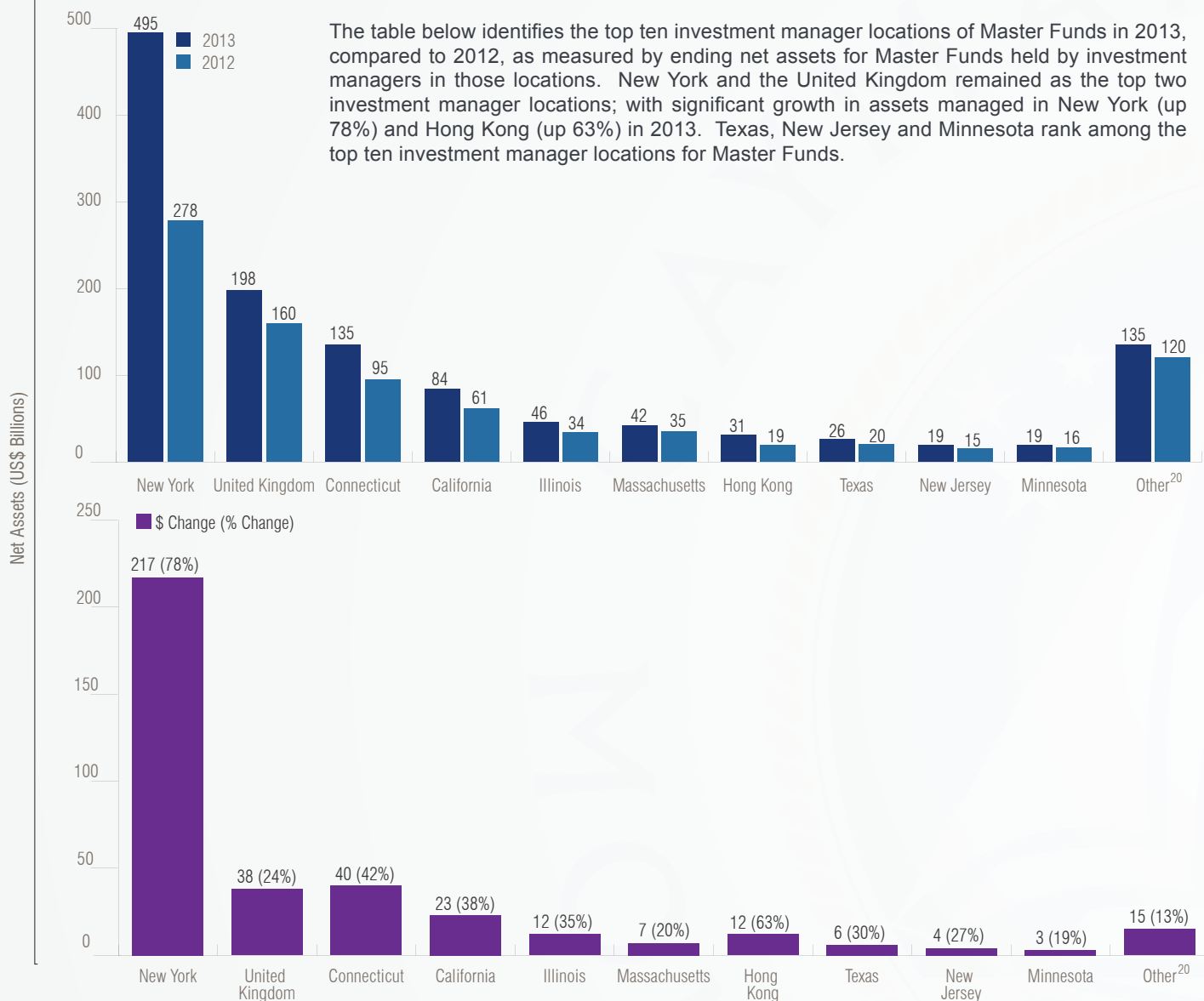
STATISTICAL TREND ANALYSIS

NET ASSETS BY INVESTMENT MANAGER LOCATION OF MASTER FUNDS



Figure 21

The table below identifies the top ten investment manager locations of Master Funds in 2013, compared to 2012, as measured by ending net assets for Master Funds held by investment managers in those locations. New York and the United Kingdom remained as the top two investment manager locations; with significant growth in assets managed in New York (up 78%) and Hong Kong (up 63%) in 2013. Texas, New Jersey and Minnesota rank among the top ten investment manager locations for Master Funds.



Investment Manager Location	2013 Net Assets (US\$ Billions)	2013 % Allocated	2012 Net Assets (US\$ Billions)	2012 % Allocated	\$ Change (US\$ Billions)	% Change
New York	495	40%	278	33%	217	78%
United Kingdom	198	16%	160	19%	38	24%
Connecticut	135	11%	95	11%	40	42%
California	84	7%	61	7%	23	38%
Illinois	46	3%	34	4%	12	35%
Massachusetts	42	3%	35	4%	7	20%
Hong Kong	31	3%	19	2%	12	63%
Texas	26	2%	20	2%	6	30%
New Jersey	19	2%	15	2%	4	27%
Minnesota	19	2%	16	2%	3	19%
Other ²⁰	135	11%	120	14%	15	13%
Total	1,230	100%	853	100%	377	

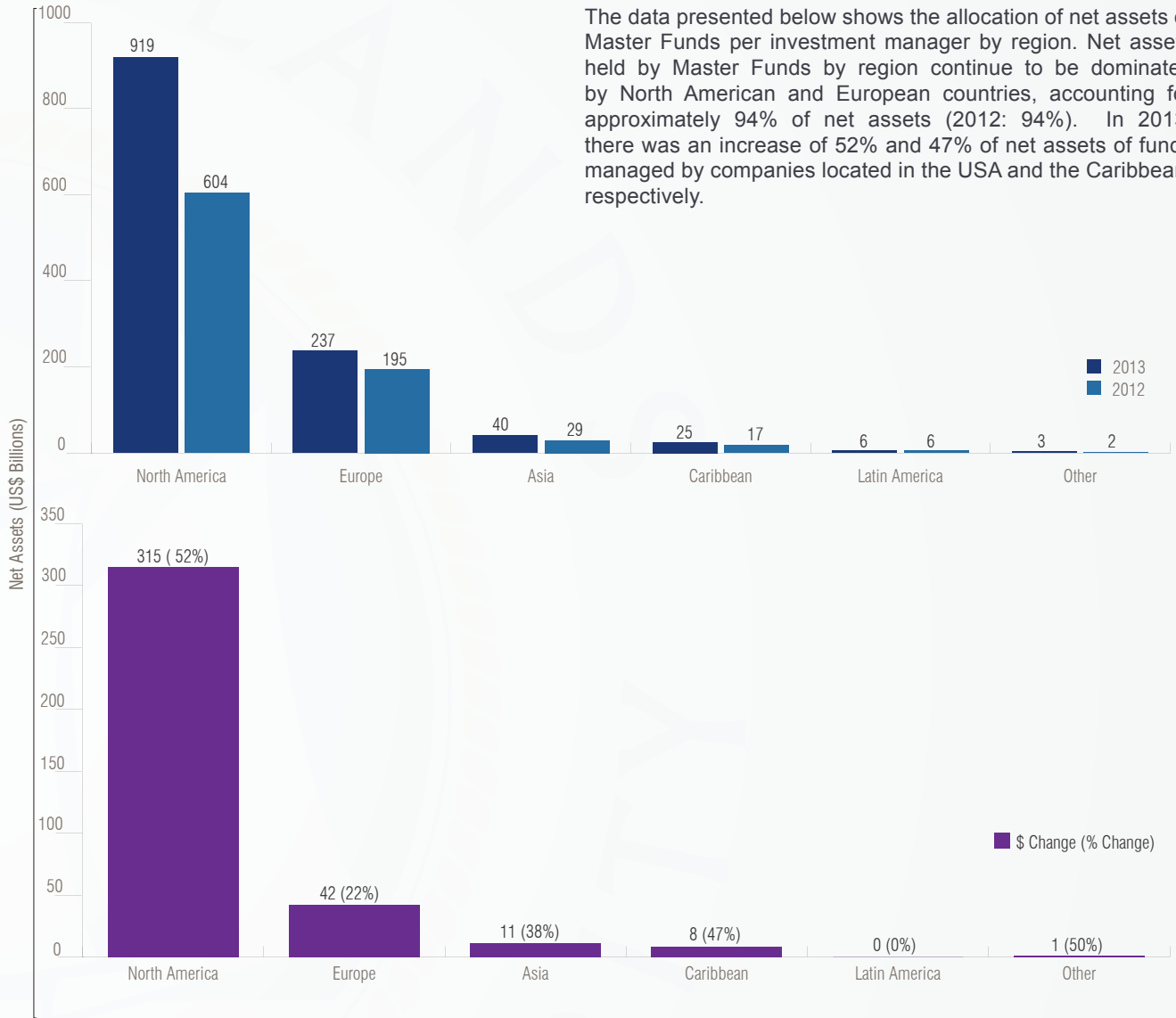
²⁰ Investment manager locations that accounted for 1% or less of the aggregate net assets were grouped as 'Other' and thus are considered individually insignificant.



STATISTICAL TREND ANALYSIS

NET ASSETS BY INVESTMENT MANAGER REGION OF MASTER FUNDS

Figure 22



The data presented below shows the allocation of net assets of Master Funds per investment manager by region. Net assets held by Master Funds by region continue to be dominated by North American and European countries, accounting for approximately 94% of net assets (2012: 94%). In 2013, there was an increase of 52% and 47% of net assets of funds managed by companies located in the USA and the Caribbean, respectively.

Investment Manager Region	2013 Net Assets (US\$ Billions)	2013 % Allocated	2012 Net Assets (US\$ Billions)	2012 % Allocated	\$ Change (US\$ Billions)	% Change
North America	919	75%	604	71%	315	52%
Europe	237	19%	195	23%	42	22%
Asia	40	3%	29	3%	11	38%
Caribbean	25	2%	17	2%	8	47%
Latin America	6	0.5%	6	1%	0	0%
Other	3	0.5%	2	0%	1	50%
Total	1,230	100%	853	100%	377	

North America - Canada, USA

Europe - Austria, Denmark, Finland, France, Germany, Guernsey, Ireland, Isle of Man, Italy, Jersey, Luxembourg, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom

Asia - China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, Thailand

Caribbean - Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands

Latin America - Argentina, Brazil, Mexico

Other - Australia, Bahrain, Israel, Kuwait, Mauritius, New Zealand, Saudi Arabia, South Africa, United Arab Emirates

STATISTICAL TREND ANALYSIS

ASSET FLOW BY INVESTMENT STRATEGY OF MASTER FUNDS



In 2013, net capital inflows for Master Funds of US\$65 billion exceeded the 2012 amount of US\$23 billion.

Figure 23

Subscriptions exceeded redemptions for all investment strategies with the exception of Commodity Trading.



Investment Strategy	2013 Subscriptions (US\$ Billions)	2013 Redemptions (US\$ Billions)	2013 Net Asset Flows (US\$ Billions)	2012 Subscriptions (US\$ Billions)	2012 Redemptions (US\$ Billions)	2012 Net Asset Flows (US\$ Billions)	Year-over-year Change in Net Asset Flows (US\$ Billions)
Multi-Strategy	91	89	2	45	58	-13	15
Long/Short Equity	65	42	23	51	39	12	11
Global Macro	40	35	5	29	25	4	1
Fixed Income	27	17	10	17	11	6	4
Arbitrage	17	15	2	14	10	4	-2
Event Driven	16	11	5	8	13	-5	10
Distressed Securities	11	10	1	10	10	0	1
Emerging Markets	10	7	3	6	6	0	3
Market Neutral	9	7	2	5	6	-1	3
Relative Value	6	6	0	3	5	-2	2
Commodity Trading	5	9	-4	7	7	0	-4
Other	73	57	16	48	30	18	-2
Total	370	305	65	243	220	23	42

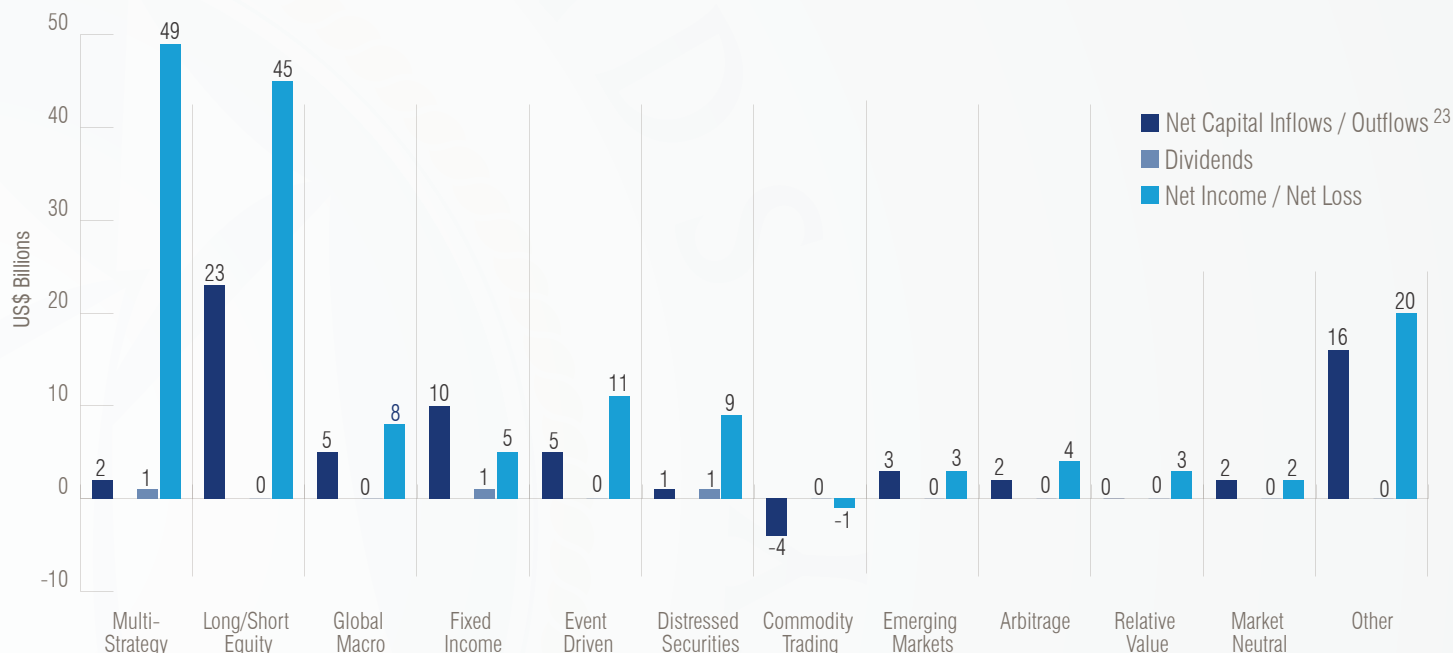


STATISTICAL STAND-ALONE ANALYSIS

CHANGE FACTORS IN NET ASSETS BY INVESTMENT STRATEGY OF MASTER FUNDS

In 2013, Master Funds with a Commodity Trading strategy experienced negative net capital flows (i.e. redemptions exceeded subscriptions) by US\$4 billion. Commodity Trading was also the only strategy that reported a net loss during the year. All other strategies recorded higher net income than in 2012, with net income for the Multi-Strategy and Long/Short Equity strategies doubling what was earned in 2012. The increase in Master Fund Net Assets of US\$220 billion can be attributed to positive net capital inflows and higher net income in 2013.

Figure 24



Investment Strategy	Opening Net Assets ²¹	Ending Net Assets	Change in Net Assets ²²	Net Capital Inflows/ Outflows ²³	Dividends	Net Income/ Net Loss
Multi-Strategy	301	351	50	2	1	49
Long/Short Equity	177	245	68	23	0	45
Global Macro	99	112	13	5	0	8
Fixed Income	64	78	14	10	1	5
Event Driven	39	55	16	5	0	11
Distressed Securities	41	50	9	1	1	9
Commodity Trading	22	17	-5	-4	0	-1
Emerging Markets	23	29	6	3	0	3
Arbitrage	29	35	6	2	0	4
Relative Value	23	26	3	0	0	3
Market Neutral	15	19	4	2	0	2
Other	177	213	36	16	0	20
Total	1,010	1,230	220	65	3	158

²¹ The increase from the 2012 Ending Net Assets to the 2013 Opening Net Assets is attributed to new fund authorisations, de-registrations and regulatory waivers during 2013 resulting in a different set of funds filing a 2013 FAR.

²² Calculated as 2013 Ending Net Assets minus 2013 Opening Net Assets.

²³ Calculated as 2013 Subscriptions minus 2013 Redemptions.

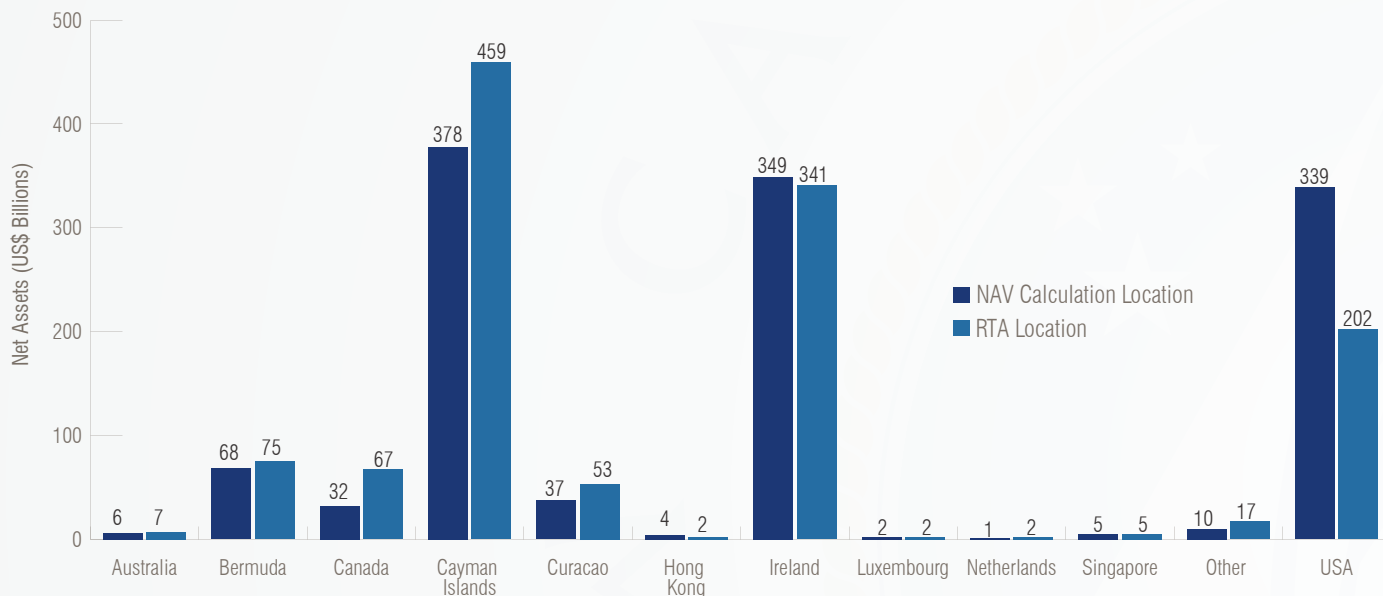
STATISTICAL STAND-ALONE ANALYSIS

FUND ADMINISTRATION LOCATION OF MASTER FUNDS



The below data shows that during 2013, the Cayman Islands was the leading fund administration location for Net Asset Value (NAV) calculation services, accounting for 31% or US\$378 billion of the net assets of Master Funds that filed a FAR. The Cayman Islands was also the leading provider of Registrar and Transfer Agency (RTA) services, accounting for 37% or US\$459 billion of the net assets of Master Funds. The USA, Cayman Islands, and Ireland accounted for 87% or US\$1.066 trillion of NAV calculation services and 82% or US\$1.002 trillion of RTA services for Master Funds that filed a FAR for 2013.

Figure 25



NAV Calculation Location ²⁴	Net Assets (US\$ Billions)	Percentage
Cayman Islands	378	31%
Ireland	349	28%
USA	339	28%
Bermuda	68	6%
Curacao	37	3%
Canada	32	3%
Australia	6	0%
Singapore	5	0%
Hong Kong	4	0%
Luxembourg	2	0%
Other	10	1%
Total	1,230	100%

RTA Location ²⁵	Net Assets (US\$ Billions)	Percentage
Cayman Islands	459	37%
Ireland	341	28%
USA	202	17%
Bermuda	75	6%
Canada	67	5%
Curacao	53	4%
Australia	7	1%
Singapore	5	0%
Netherlands	2	0%
Hong Kong	2	0%
Other	17	2%
Total	1,230	100%

Top five USA states: New York (106), Massachusetts (67), New Jersey (64), Connecticut (25), Illinois (23), other USA states (54)

Top five USA states: New York (64), Massachusetts (53), Connecticut (21), Pennsylvania (15), Minnesota (13), other USA states (36)

²⁴Net Assets are presented for Netherlands in the graph, however it is not one of the top ten locations for NAV services.

²⁵Net Assets are presented for Luxembourg in the graph, however it is not one of the top ten locations for RTA services.



GLOSSARY OF TERMS

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.

Cayman Islands Monetary Authority (CIMA) – was established as a body corporate under The Monetary Authority Law (2013 Revision). CIMA has four principal functions: 1) Monetary - the issue and redemption of Cayman Islands currency and the management of currency reserves, 2) Regulatory - the regulation and supervision of financial services, the monitoring of compliance with money laundering regulations, the issuance of a regulatory handbook on policies and procedures and the issuance of rules and statements of principle and guidance, 3) Cooperative - the provision of assistance to overseas regulatory authorities, including the execution of memoranda of understanding to assist with consolidated supervision, and 4) Advisory - the provision of advice to the government on monetary, regulatory and cooperative matters.

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.

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.

Emerging Markets Strategy – a strategy that invests in the financial markets of developing countries, usually in small markets with short operating histories.

E-Reporting – a secure, web-based system that allows regulated hedge funds to electronically submit a FAR along with a copy of their annual audited financial statements.

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 (2013 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 (2009 Revision) a trust where none of the beneficiaries is not – and is not likely at any time to be resident or domiciled in the Cayman Islands.

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

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

Fund of Funds – a hedge fund which invests in the shares of other hedge funds. These funds are designed to achieve greater diversification than traditional hedge funds.

Generally Accepted Accounting Principles (GAAP) – a widely-accepted set of rules, principles, conventions, standards, and procedures for reporting financial information. US GAAP was established by the Financial Accounting Standards Board (FASB) in the US.

Global Macro Strategy – a strategy that invests in securities throughout the world. Additional risks associated with global macro strategies include currency fluctuations and political and economic instability.

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, programme 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).

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

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

GLOSSARY OF TERMS

price in the future, which appears as a liability on the balance sheet.

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 (2013 Revision) means a company, partnership or unit trust that -

- a) is established or incorporated, as the case may be, in the Cayman 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 (2013 Revision) or the Insurance Law, 2010, or registered under the Building Societies Law (2010 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.

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 (2013 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 (2002 Revision) or an Exempted Limited Partnership registered under the Exempted Limited Partnership, Law (2013 Revision) that conducts mutual fund administration outside the Islands.

Net Asset Value (NAV) – the monetary market value of a hedge fund, based on the fair value of the underlying assets minus the fair value of the liabilities. Net asset value per share of the fund is calculated as the total net assets divided by the number of shares outstanding.

NAV Calculation Agent – an administrative service provider that performs the accounting function, including the compilation and reconciliation of portfolio assets and liability positions and the calculation of the total net asset value of the hedge fund. This also includes verifying, accruing or calculating other operational assets and liabilities, such as cash, pre-paid 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 of redemptions over a period to result in a net increase or net decrease of cash flows resulting from shareholder activity.

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

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 to which 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 ongoing basis.

Registrar of Companies – a government body that is within the Cayman Islands General Registry. Registration is governed by the Companies Law (2013 Revision). It is responsible for registration of companies, limited partnerships and exempted trusts.

Return on Assets – a measure of a hedge fund's performance, calculated as the net income of a period divided by the total gross assets, expressed as a percentage.

Return on Net Assets – a measure of a hedge fund's performance, calculated as the net income of a period divided by the total net assets, expressed as a percentage.

Stand-Alone – A hedge fund that invests mainly in individual securities.

Subscription – the act of institutional or individual investors purchasing equity interests of a hedge fund by subscribing an initial minimum monetary amount or subsequent amount in exchange for ownership of shares or units in the entity at a price equal to the net asset value of the hedge fund.

Total Assets – the sum of current and long-term assets owned by an entity. Three characteristics of an asset are that its future benefit of contributing to income generation is probable, the entity can control access to the asset or benefit, and a transaction rise to the transfer of ownership, or risks and rewards associated with that ownership, has occurred.

Scale:

US\$1 Trillion = US\$1,000,000,000,000 US\$1 Billion = US\$1,000,000,000

US\$1 Million = US\$1,000,000



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