APAC ex-Japan hedge funds up just 0.02 per cent in July, Singapore's MAS releases hedge fund rules…

By *mkitchen*
Created *09/08/2012 - 13:03*

Despite just 68 new hedge funds launching in Asia in the first six months of 2012 according to EurekaHedge, compared to 107 in the boom year of 2007, prime brokers in the region are still confident that the space will grow. The region continues to be populated by a large number of small managers, but as they increasingly close down because of performance issues and redemptions, that money is being recycled and put to work in new funds. This is creating a "huge opportunity" for banks in Asia as start-up managers seek advice and introductions, Graham Seaton, head of Asia-Pacific prime brokerage at Bank of America Corp., was quoted as saying in a *Wall Street Journal* blog this week.

As reported last month, David Gray has been appointed head of prime brokerage services in Asia Pacific for Royal Bank of Scotland Group PLC, who are looking to muscle into the highly competitive prime brokerage space and win a slice of the pie. "We are talking to people from prop desks who are looking to start macro funds," commented Gray. And with the general consensus being that investors are still underinvested in the region, prime brokers are betting that more global hedge funds and investors will increase their investments in the region.

Said **David Murphy, Asia-Pacific head of prime finance at Citigroup Inc**: "Large US hedge funds are investing more in Asia; they are staffing up." It's still early days for RBS but what seems apparent is that after hiring Fabian Shey to run the global prime brokerage desk, the focus will be less on stocks, and more on providing services in fixed income, FX and rates. However, it also has a delta one desk that will allow clients to trade synthetic equities using equity swaps.

The Monetary Authority of Singapore (MAS) has officially toughened up its hedge fund rules that took effect from 7 August 2012 reported *Channel News Asia*. MAS has implemented an enhanced regulatory regime, with amendments made to the Securities and Futures (Licensing and Conduct of Business) Regulations, Securities and Futures (Financial and Margin Requirements) and Financial Advisers Regulations. Specifically, with respect to the Licensing and Conduct of Business Regulations 2012, hedge funds will fall under two categories.

Firstly, Licensed/accredited institutional fund management companies (FMCs) will hold a capital markets services license and be able to raise assets from any number of qualified investors. Secondly, Registered fund management companies will replace the existing Exempt Fund Manager (EFM) regime. RFMCs will only be allowed to serve up to 30 qualified investors and manage up to SGD250million in assets; once they exceed this threshold they will have to apply for a license. Current EFMs have six months to either apply for a license or to register themselves with MAS under the new RFMC regime.

Leon Black's Apollo Global Management LLC, the New York-based private equity firm, is looking to rebuild its real estate arm by raising USD750million for two funds that will focus on commercial properties in Asia reported *Businessweek*. The first fund – AGRE Asia Pacific Real Estate Fund LP – filed a private placement notice with the US SEC last month and aims to raise USD600million. The second fund, name unknown, is to be launched in partnership with Bank of East Asia Ltd. It will focus on China and aims to raise USD150million. Neither Apollo Global Management nor Bank of East Asia were willing to comment on the developments. Apollo had about USD8billion in real estate AUM at the end of June – equivalent to 7.6 per cent of the USD105billion in firm-wide assets. By comparison, Stephen Schwarzman's buyout firm, Blackstone Group LP, was managing USD50.2billion in real estate assets – equivalent to 26 per cent of its USD190billion firm-wide AUM – according to a July earnings release.

Global hedge funds returned 1.05 per cent in July to leave them up 2.88 per cent for the year according to Hedge Fund Research's HFRI Fund Weighted Composite Index. Asia Pacific funds, though, were barely in positive territory. They returned just 0.02 per cent to leave them up 0.73 per cent according to the HFRI Emerging Markets: Asia ex-Japan Index. By comparison the EurekaHedge Asia ex-Japan Index, based on preliminary figures, returned 0.25 per cent to leave it at 1.96 per cent for the year. Relative value strategies were down -1.71 per cent to leave them up 0.36 per cent YTD, and event-driven strategies also recorded modest losses of -0.77 per cent. They are still up 11.18 per cent for the year however. Multi-strategy and fixed income strategies both recorded gains in July, up 0.61 per cent and 0.88 per cent respectively.

- Weekly Asia News (Friday)

Source URL:
http://www.hedgeweek.com/2012/08/09/171335/apac-ex-japan-hedge-funds-just-002-cent-july-singapore%E2%80%99s-mas-releases-hedge-fund-r