

LEADING INVESTORS AND MANAGERS MEET IN SHANGHAI TO DISCUSS STATE OF THE CHINESE HEDGE FUND INDUSTRY

Roundtable hosted by the Hedge Fund Standards Board (HFSB) and Shanghai Lujiazui Financial City Development Authority

28 November 2016

The Hedge Fund Standards Board (HFSB), the global standard-setting body for the alternative investment industry, and the Shanghai Lujiazui Financial City Development Authority hosted a roundtable on 23 November in Shanghai. This important roundtable brought together 60 representatives from investors and managers (China-based and global) to discuss the state of the Chinese hedge fund industry.

The discussion focussed on the status of the hedge fund industry in China, the domestic investor structure and how international firms can do business in China. A panel of international institutional investors outlined global due diligence expectations and minimum standards local managers need to meet in order to attract international capital.

Some of the key insights included:

- Local managers can benefit from exposure to international investors, particularly in terms of understanding what institutional investors expect in areas such as risk management, governance and investor disclosure – the Hedge Fund Standards provide a blueprint for firms to adopt in all of these areas.
- Global institutional investors usually have a longer term perspective and look for domestic managers who can articulate their investment approach over the long term and who have a strong risk management culture. These investors tend to be less focused on individuals who are just successful traders.
- Domestic investors need to develop strong due diligence practices, and there is a potential role for funds of funds to help the high net worth segment scrutinise individual managers. The Hedge Fund Standards and the HFSB Toolbox provide useful resources for

- investors (institutional and high net worth investors) in their due diligence approach.
- International managers usually work with local Chinese business partners to manage domestic portfolios and interact with local investors.

Comments from speakers and panellists during the event included:

- Misha Graboi, Chief Executive Officer, PAAMCO Asia: “Global institutional investors apply the same due diligence approach, regardless of where they invest. Chinese managers seeking to attract offshore capital should treat due diligence meetings with global investors as an opportunity to benchmark their practices against global practices, and they should use the Hedge Fund Standards as a template to strengthen their operational approach.”
- Richard Johnston, Managing Director and Head of Asia of Albourne Partners and member of the HFSB APAC Committee: "The scrutiny of institutional investors does not stop after the initial due diligence process. Once invested, investors need regular risk reporting to monitor the manager’s activities and assess the risk contribution of individual funds in the context of their broader investment portfolios.”

Thomas Deinet, Executive Director of the HFSB said: “We published the Chinese translation of the Hedge Fund Standards in 2015 and have seen great interest from the Chinese hedge fund manager and investor community in our work. The HFSB stands ready to share its expertise and encourages Chinese managers to use the Hedge Fund Standards and the HFSB Toolbox resources to strengthen their approach.”

WANG Hua, Director General of Shanghai Lujiazui Financial City Development Authority said: “We are delighted to collaborate with the HFSB and to bring leading global investors and managers together with the domestic hedge fund industry. The hedge fund industry is developing very fast in China, and Lujiazui is a leading center for the industry with over 1,500 hedge fund managers registered with AMAC. Many of these managers are recognised as leading players. We look forward to working with the HFSB in the future.”

Speakers and panellists at the event included:

- Thomas Deinet, Executive Director, Hedge Fund Standards Board (HFSB)
- Feng Ge, Managing Partner, Trustbridge Partners
- Misha Graboi, Chief Executive Officer of PAAMCO Asia
- WANG Hua, Director General, Shanghai Lujiazui Financial City Development Authority
- Richard Johnston, Managing Director, Head of Asia, Albourne Partners
- Ren Kaifeng, Director Finance and Shipping, Shanghai Lujiazui Financial City Development Authority
- Sidney Ma, Director of Investor Relations, Springs Capital
- Fred Tian, Head of Investment Solutions, Winton Capital Asia
- Andy Wang, Deputy General Manager, Rosefinch Investment
- KONG Wei, Senior Partner, Zhong Lun Law Firm
- SUN Wei, Director of Shanghai Lujiazui Financial City London Office
- Raymond Yin, Partner, Chongyang Investment

The HFSB was formed in January 2008 as the standard-setting body for the alternative investment industry, bringing together managers and investors globally to help determine how the industry should operate. It is the custodian of the Hedge Fund Standards, which create a framework of transparency, integrity and good governance for the industry, facilitate investor due diligence and complement public policy. The HFSB is supported by more than 125 alternative investment managers, with over \$1 trillion in aggregate assets, and by more than 60 institutional investors investing over \$600 billion in hedge funds. The Hedge Fund Standards and the full list of signatories and supporters are available at www.hfsb.org.

The Lujiazui Financial City Development Authority is a statutory public service institution in charge of coordinating the public affairs of the Lujiazui Financial City in Shanghai. The objective is to position the Lujiazui Financial City as dynamic, open and efficient economic centre by promoting innovation in the areas of finance, trade and shipping.

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Notes to editors:

1. In July 2014, the HFSB became an affiliate member of the International Organisation of Securities Commissioners (“IOSCO”). On announcement of granting affiliate membership to the HFSB, David Wright, former General Secretary of IOSCO, said: “There is an important role for industry standards to play alongside statutory regulation in promoting transparency and good governance in financial markets. The HFSB can play a valuable role working with regulators and supervisors.”

2. Dame Amelia Fawcett became chairman of the HFSB in July 2011. She is also Deputy Chairman of Investment AB Kinnevik in Stockholm and a Non-Executive Director of State Street Corporation in Boston and Her Majesty's Treasury in the UK. She was formerly Vice Chairman and Chief Operating Officer of Morgan Stanley International Limited and a member of the Court of Directors of the Bank of England. In 2002 she was awarded a CBE and in 2010 a DBE, both for services to the finance industry. She is a Governor of the London Business School, a Fulbright Commissioner, a Trustee of Project HOPE (UK) and Chairman of The Prince of Wales’s Charitable Foundation.

3. The Trustees of the HFSB are:
 - Dame Amelia Fawcett, Chairman (HFSB)
 - Jane Buchan, CEO, Pacific Alternative Asset Management Company (PAAMCO)
 - Clint Carlson, President & CIO, Carlson Capital
 - Bruce Cundick, CIO, Utah Retirement Systems
 - Tom Dunn, Managing Principal, New Holland Capital
 - David George, Head of Debt & Alternatives, Future Fund Australia
 - Chris Gradel, Founder, Pacific Alliance Group (PAG)
 - Kathryn Graham, Head of Strategy and Co-ordination, Universities Superannuation Scheme Ltd
 - George Robinson, Co-Founder, Sloane Robinson
 - Simon Ruddick, Chairman & Co-Founder, Albourne Partners

- Daniel Stern, Co-Founder and Co-CEO, Reservoir Capital Group
- Betty Tay, MD, Head of the External Managers Department, GIC
- Mario Therrien, Senior VP, External Portfolio Management - Public Markets, Caisse de dépôt et placement du Québec
- Dale West, Senior Managing Director, Teacher Retirement System of Texas
- Poul Winslow, Managing Director, Head of Thematic Investing and External Portfolio Management, Canada Pension Plan Investment Board

4. The Founders of the HFSB are:

- AlphaGen Capital
- Brummer and Partners
- Cheyne Capital
- CQS
- Lansdowne Partners Limited
- Man Group plc
- Marshall Wace
- Och-Ziff Capital Management
- Winton Capital Management

5. The Core Supporters of the HFSB are:

- Aberdeen Asset Management
- Albourne Partners
- Allianz Global Investors
- Arrowgrass Capital Partners LLP
- IONIC Capital Management LLC
- PAAMCO
- PAG
- Reservoir Capital Group
- Willis Towers Watson
- Unigestion