

## INVESTMENT

# Top 25 Asian funds hit \$22.6bn

By Stephen Schurr in New York  
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The top 25 Asia-based funds now manage \$22.6bn in assets, signalling a growing shift in the hedge fund industry towards emerging Asian markets as well as Japan.

The figures come from Institutional Investor's Alpha, which will today release its inaugural ranking of the 25 largest hedge funds based in Asia. The largest Asian fund was Tokyo-based Sparx Asset Management, which had \$5.2bn in assets at the end of 2005. PMA Capital ranked second with \$2.1bn - Sparx acquired the Hong Kong-based firm last month. Rounding out the top five are Appleby's ADM, Ward Ferry and Penta, three Hong Kong

firms with \$1.44bn, \$1.40bn and \$925m respectively, at the end of 2005.

The size of the Asian hedge fund market pales in comparison with the US and European markets. The US-based hedge funds run by Goldman Sachs and Bridgewater Associates each manage more than \$20bn. Indeed, few of the indigenous hedge funds are among the better-known players in the industry, with Sparx the only Asian hedge fund firm turning up on Institutional Investor's list of the 100 largest firms.

However, neither the US nor European hedge fund markets can match the meteoric rise of the Asian industry in recent years. The number of Asian hedge funds has quadrupled to more than 700 since 2002

and the assets under management have soared nearly tenfold to \$120bn, say industry consultants EurekaHedge and GFIA. The growth has been driven in part by investor enthusiasm for emerging markets, which has delivered robust performance in recent years. In 2005, the MSCI Far East index returned 22.5 per cent, compared with 4.9 per cent for the S&P 500 and 6.5 per cent for the MSCI Europe index.

The Alpha list did not include any US or UK hedge funds that invest in Asia, but this group is growing rapidly as well. Marshall Wace, the big London firm, recently launched a \$500m Asian hedge fund that uses its proprietary Tops trading

system. The Asian markets have been hit with volatility in recent months, taking the shine off some performers. Even some of the best-regarded funds have encountered problems after years of strong gains.

A Sparx Japan long-short fund is off 5.7 per cent through July 20, according to investors. Ward Ferry's Japan fund is down 12.5 per cent through July 14, while its Asia fund is up 2.3 per cent. On the other hand, Penta Japan, which had a rough 2005, is up 84 per cent through July 19, making it one of the year's best hedge funds.

The recent turmoil has unruffled some investors, but industry participants say it will not derail a huge reallocation of capital to Asia in coming years.