



EDITORIAL

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Hong Kong gets ready to offer a gateway into China

Hong Kong's large, industrious and well-educated population has long been a tempting target for the world's financial services industry. But now, five and a half years after the British Crown Colony returned to the fold as a Special Administrative Region of the People's Republic of China, the territory's financial sector has gained a fresh impetus as a jumping-off point for institutions that are looking to dip a toe into the huge mainland market with its 1.1 billion potential customers.

It helps that the financial services business in Hong Kong has matured and developed greatly since the hand-over to China on July 1, 1997 - in part because of an awkward economic environment that has forced a rethink of traditional approaches to investment. An economic slowdown that took place against Asia's financial and economic crisis of the late 1990s prompted abrupt deflation in the price of Hong Kong property, a long-established cornerstone of individual wealth.

The key beneficiary has been the investment fund industry, which is also seen by the authorities as a means of improving the functioning of the state-administered pension scheme, the Mandatory Provident Fund. Industry experts report that funds are increasingly displacing the traditional method of investing in equities, through direct purchase of shares.

The direct investment approach has proved less attractive over the past three years in an environment of falling share prices that has persuaded investors of the benefits of risk-spreading through diversification. The industry has responded with a willingness to innovate, notably the introduction of guaranteed funds that accounted for more than 80 per cent of total fund sales in 2001.

The regulators have done their part as well. Other jurisdictions have rushed to copy the recently-introduced framework for the marketing of hedge funds to retail investors, which matches minimum investment levels to the riskiness of different types of fund, and sets minimum experience requirements for managers. The Hong Kong Securities and Futures Commission also has helped to boost choice and competition in the fund market by streamlining the procedure for authorisation of foreign funds, especially Ucits, of which promoters of Luxembourg Sicavs have been quick to take advantage.

There has also been a great deal of innovation on the marketing side in order to educate the population about the benefits of fund investment, with the Hong Kong Investment Fund Association sponsoring initiatives such as TV series that raise investment issues.

The spirit of innovation is fostered by the intense competition within the financial community, which includes one of the highest concentrations of top-tier banking institutions in the world. The recent arrival of 'bulge bracket' investment banks Lehman Brothers and Goldman Sachs testifies to the critical mass Hong Kong has marshalled as a regional centre for a wide range of financial services.

The greatest challenge will be to break into the mainland China market, where there is already evidence of surging demand for investment products among the burgeoning middle class and where the challenge of the pensions time bomb looms as large as it does in Western Europe or Japan. The entry of China into the World Trade Organisation is also set to remove or lower barriers to investment and the sale of financial products.



As a well-established financial centre with a high-calibre personnel and the benefits of a shared culture, Hong Kong is well placed to take the lead in serving this new market. At least for the time being, industry professionals say, it makes more sense to sell Hong Kong funds to mainland Chinese investors than to launch products purely for the mainland market.

That's not to say that Hong Kong has no competition. Singapore also has a well-regulated and outward-looking financial industry and is trying to shake off its reputation for government meddling and micro-management in business, while Shanghai is trying to rebuild its position as a business hub that it held in the early years of the last century. Taiwan too has its admirers, with a larger domestic population over which to spread costs. But with a respected regulatory regime, modern infrastructure and the dynamism for which the 'Fragrant Harbour' has long been known, Hong Kong remains in pole position for the race to supply investment solutions to the world's largest market.

Bob Kneip
Chief Executive Officer.
Kneip Communication S.A.

SPOT NEWS

- The rapid expansion of Hong Kong fund industry has been attributable to the way we approach fund regulation, as explained by Tina So, Director of Investment Products Department at the Securities and Futures Commission in Hong Kong.
- Hong Kong Investment Funds Association continue to develop more educational initiatives to promote mutual funds as an investment alternative for retail investors.
- Susan Gordon, Partner at Deacons Hong Kong describes the main features of the reporting requirements for authorised hedge funds under its May 2002 guidelines.

REPORT ON HONG KONG

"More than 95% of funds authorised in Hong Kong are domiciled overseas, making it a regional center for fund management, distribution and marketing of investment products", as outlines Tina So, Director of Investment Products Department at SFC Hong Kong.

ZOOM



KEY DATA

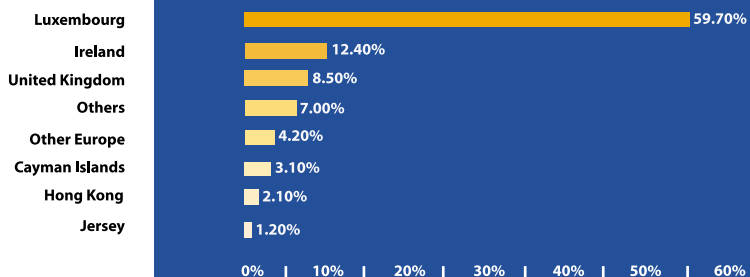
Official name:
Political system:
President:
Legal system:
Head of Government:
Population:
GDP per head:

Financial News and Media:

Hong Kong Financial Associations and Supervisory Authorities:

- Hong Kong Special Administrative Region
- Basic Law approved in March 1990 by China's National People's Congress is Hong Kong's "mini-constitution"
- President of China JIANG Zemin (since 27 March 1993)
- Based on English common law
- Chief Executive TUNG Chee-hwa (since 1 July 1997)
- 7,303,334 (July 2002 est.)
- Purchasing power parity - \$25,000 (2001 est.)
- South China Morning Post, The Standard, Sing Tao Daily, Ming Pao Daily News, Hong Kong Economic Journal, Hong Kong Economic Times, The Asian Wall Street Journal, Capital, Hong Kong Business, Hong Kong Economic Journal Monthly, Sunday Morning Post, Far East Economic Review.
- The Securities and Futures Commission of Hong Kong (SFC), the Hong Kong Investment Funds Association (HKIFA), Hong Kong Monetary Authority, the Hong Kong Federation of Insurers (HKFI), the Hong Kong Trustees Association (HKTA), the Stock Exchange of Hong Kong (SEHK), the Hong Kong Futures Exchange (HKFE), the Hong Kong Federation of Insurers (HKFI), the Hong Kong Trustees Association (HKTA).

ORIGIN OF FUNDS DISTRIBUTED IN HONG KONG - IN PERCENTAGE OF TOTAL NET ASSETS -



Source: The Securities and Futures Commission in Hong Kong, 31 March 2002



Fundlook is a quarterly publication of Kneip Communication S.A., dedicated to the fund industry for its financial advertising and publishing. Fundlook includes Media Agenda, a selection of finance-orientated special publications to help your advertising planning, together with a special focus on a particular fund distribution market.

PUBLISHER



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HONG KONG

MEDIA AGENDA

Media Agenda is a selection of finance-orientated special publications to help your advertising planning.

JANUARY 2003

January-03	Portfolio International	International Private Banking & Wealth Management	INT
January-03	Agefi Luxembourg	Les Sicav's luxembourgeois	LU
January-03	International Money Marketing	Exchange - Traded Funds	INT
1-Jan-03	Option	Investment	AT
2-Jan-03	The Wall Street Journal Europe	Europe's Economic Pulse & Year-End Review of Money & Investing	EUR
2-Jan-03	The Asian Wall Street Journal	Year-End Review of Money & Investing	ASIA
2-Jan-03	The Wall Street Journal	Year-End Review of Money & Investing	US
3-Jan-03	Neue Zürcher Zeitung	Finanzjahr 2002	CH
5-Jan-03	Euro am Sonntag	Die Sieger 2003, Die besten Aktien, Anleihen, Fonds, Optionsscheine ect.	DE
6-Jan-03	The Wall Street Journal	Quarterly Mutual Fund Review	US
9-Jan-03	Cash!	Analyse Sectorielle (+Sicav)	BE
9-Jan-03	Focus Money	Fondsstrategien 2003	UK
12-Jan-03	Euro am Sonntag	Anlagestrategien mit Zertifikaten	DE
17-Jan-03	Luxemburger Wort	Palmarès des Sicav	LU
19-Jan-03	Euro am Sonntag	Die Regionalbörsen in Deutschland	DE
20-Jan-03	La Tribune	L'année Financière	FR
24-Jan-03	Rheinische Post	Fonds Magazin	DE
24-Jan-03	Het Laatste Nieuws	Epargnes et Placements	BE
25-Jan-03	Investir	Spécial Fiscalité	FR
26-Jan-03	Euro am Sonntag	Die besten Investmentfonds: Euro - Note	DE
27-Jan-03	L'Agefi	Patrimoine et Investissement	CH
27-Jan-03	Le Temps	Fonds de Placement	CH
27-Jan-03	De Financieel Morgen Extra	Etablissements Bancaires et les Placements	BE
28-Jan-03	Neue Zürcher Zeitung	Anlagefonds	CH
29-Jan-03	Handelszeitung	Anlagefonds	CH
29-Jan-03	Invest	Vorsorge Privat	CH
30-Jan-03	South China Morning Post	Insurance Outlook 2003	HK
30-Jan-03	Cash!	Fonds de Placement	BE
31-Jan-03	Financial Mail	Unit Trusts Quarterly	HK

FEBRUARY 2003

February-03	Portfolio International	Domestic Retail & Pension Funds Developments in the UK	INT
February-03	Agefi Luxembourg	E-banking/Internetfinanciers	LU
February-03	International Money Marketing	International Fund Strategy - SRI / Ethical Investment	INT
February-03	La Libre Belgique	Palmarès des Sicav	BE
February-03	De Standaard	Palmarès des Sicav	BE
1-Feb-03	Option	Fonds	AT
2-Feb-03	Euro am Sonntag	Energieversorgungsunternehmen	DE
6-Feb-03	Cash!	Analyse Sectorielle (+Sicav)	BE
7-Feb-03	Le Figaro	Patrimoine	FR

MONTHLY SUPPLEMENTS

Every first Monday of the month		
The Wall Street Journal	Monthly Mutual Fund Review	US
Every second Monday of the month		
Expansion	Mensual de Fondos	SP
Every 1st or 2nd Tuesday of the month		
WirtschaftsBlatt	Investor	AT
Every 3rd or 4th Tuesday of the month		
IHT	At Home Abroad	INT
Every third Tuesday of the month		
De Financieel Economische Tijd	Fondsentijd	BE
Every second Wednesday of the month		
Cinco Dias	Monthly Funds special	ES
Every first Saturday of the month		
Il Sole 24 Ore	Ventiquattro	IT

WEEKLY SUPPLEMENTS

Every Monday		
Le Temps	Lundi Finance	CH
Børsen	Børseninvestor	DK
Financial Times	FTfm (FT Fund management)	INT
La Croix	Economie & Entreprises	FR
Hong Kong Economic Times	Money Times	HK
Il Corriere della Sera	Corriere Economia	IT
Every Thursday		
South China Morning Post	Banking & Finance	HK
Every Friday		
La Tribune	Magazine Placements & Art de Vivre	FR
Les Echos	Finances Personnelles	FR
Kauppahti	Kauppahti Saldo	FI
Every Saturday		
PLUS	Financial weekly of Il Sole 24 Ore	IT
La Libre Belgique	La Libre Finance	BE

For further information concerning Media Agenda please contact:
Patricia TEITGEN, our Client Support Manager
Tel. (+352) 261 531 334 ■ e-mail: patricia.teitgen@kneip.com

9-Feb-03	Euro am Sonntag	Betriebliche Altersvorsorge	DE
14-Feb-03	South China Morning Post	Banks-Strategies & Missions for Year 2003	HK
16-Feb-03	Euro am Sonntag	Geschäftsreisen	DE
18-Feb-03	The Wall Street Journal Europe	Fund Manager's Conference 2003	EUR
19-Feb-03	Handelszeitung	Private Banking	CH
21-Feb-03	Financial Mail	Retirement Funds Quarterly	HK
22-Feb-03	Börsen Zeitung	Insurance Sector	DE
24-Feb-03	L'Agefi	Fonds de Placement I	CH
28-Feb-03	Financial Mail	Life Assurance	HK
28-Feb-03	Luxemburger Wort	European Fund Awards in Luxembourg	LU
28-Feb-03	La Tribune	Victoire des Sicavs	FR

MARCH 2003

March-03	Portfolio International	ALFI Conference Luxembourg	INT
March-03	International Money Marketing	World View Centre: Spain	INT
1-Mar-03	Finanz und Wirtschaft	Vorsorge Privat	CH
1-Mar-03	FT expat	Channel Islands - Informative guide to investing into The Channel Islands	UK
1-Mar-03	Option	Alternative Investments	AT
3-Mar-03	Le Monde	OS Emploi :Banque Assurances	FR
6-Mar-03	Cash!	Assurances Branche 23	BE
7-Mar-03	Luxemburger Wort	Spécial Fonds d'Investissements (ALFI)	LU
8-Mar-03	Salzburger Nachrichten	Gewinn Money World	AT
10-Mar-03	Salzburger Nachrichten	Geld	AT
12-Mar-03	Handelszeitung	Financial Products	CH
14-Mar-03	Financial Mail	Offshore Funds	HK
14-Mar-03	Le Figaro	Patrimoine	FR
15-Mar-03	Börsen Zeitung	IT- Future in Banks	DE
19-Mar-03	Invest	Anlagefonds	CH
20-Mar-03	Cash!	Sicafi	BE
20-Mar-03	La Libre Belgique	S&P Fund Awards Belgium	BE
20-Mar-03	De Standaard	S&P Fund Awards Belgium	BE
22-Mar-03	Börsen Zeitung	Business and Finance in Bavaria - Financial Centre Munich	DE
23-Mar-03	South China Morning Post	Private Banking	HK
24-Mar-03	L'Agefi	Gestion de Fortune	CH
25-Mar-03	Salzburger Nachrichten	Finanzplatz Schweiz	AT
26-Mar-03	The Wall Street Journal Europe	Russian Banking & Finance	EU
27-Mar-03	Cash!	Fonds de Placement	BE
27-Mar-03	Option	Fonds Jumbo	AT
28-Mar-03	South China Morning Post	Outlook of Mutual Fund	HK
31-Mar-03	La Tribune	Technologies de l'information	FR
31-Mar-03	De Financieel Morgen Extra	Fonds de Placement	BE

FUNDS PUBLISHING

People in Hong Kong are kept well informed by a vigorous media. They have a vast appetite for news and this demand has given rise to a healthy and outward-looking press, radio and television industry that enjoys complete freedom of expression.

The amount of newspaper reading per capita in Hong Kong is one of the highest in the world. It is also the world's largest centre for Chinese-language publications.

The media has been an important factor in Hong Kong's success, since a fast, unrestricted flow of information and ideas helps reinforce the free market economy. It plays a key role in helping to transform the economy towards one centred on Hong Kong, the base for Southeast Asian operations of many international and regional magazines, newspapers, television, radio networks and international news agencies such as Associated Press. The Asian Wall Street Journal, the Financial Times and the International Herald Tribune are international papers which print editions locally. Newsweek magazine has an edition printed in Hong Kong, which is also the base for the supra-regional magazine called the Far Eastern Economic Review.

Advertising enjoys continual growth and this is part of the life of Hong Kong. Advertising expenditure in Hong Kong recorded an increase of 8 percent in 2001, after 16 percent in 2000 and 17 percent in 1999.

The Press registered 763 publications in February 2002, divided as follow:

NEWSPAPERS

There are 51 newspapers in Hong Kong, including twenty-nine Chinese-language dailies, eleven in English, five bilingual papers and six in other languages.

The largest papers go to Chinese communities overseas, and some also have editions printed outside Hong Kong, notably in the United Kingdom and the United States.

Chinese and English papers belong to the Newspapers Society of Hong Kong, which has thirteen council members and three associate members. The society, formed in 1954, acts in the interest of newspapers, the society or its members.

MAGAZINES

Periodicals represent the other main sector of the Press. There are 712 publications of which 462 are in Chinese, 127 in English, 105 bilingual and 18 in other languages. These magazines cover a wide variety of subjects from public affairs to technical matters and entertainment.

Apart from the above, there are also an increasing number of electronic newspapers in Hong Kong, such as the Asia Times which is one of the most renowned papers.

GENERAL NEWSPAPERS

■ SOUTH CHINA MORNING POST:

Its editorial coverage of international news is extensive and its breadth of local news, features, business and financial news has made the SCMP an important English language newspaper. Read by more decision makers than any other newspapers, the Post has one of the largest audiences (25%) of professionals, managers and executives amongst its readers.

Circulation: 115 000 Readership: 311 000
City: Hong Kong Coverage: National
Language: English

■ THE STANDARD (HONG KONG):

The Standard answers the need for a concise and colourful English-language newspaper, one to present the inside story of Hong Kong in a crisp and attractive fashion, focusing on the stories that matter to its readers. With its tabloid format, the newspaper uses its compactness to its best advantage. It concentrates on the big stories and provide its readers with both depth and context.

Circulation: 46 500 Readership: 100 000
City: Hong Kong Coverage: National
Language: English

■ SING TAO DAILY (HONG KONG):

Independent newspaper of exploration and innovation, respected for its proud past and for sustaining its place as the Chinese language paper on the cutting edge of the publishing industry. Satellite transmission of news and state-of-the-art printing facilities, guarantees news as it happens. Its journalist team maintains a close working relationship with community organisations, government departments and the business community. Apart from the extensive local news coverage, the newspaper also includes European countries in its reporting coverage.

Circulation: 73 000 Readership: 183 000
City: Hong Kong Coverage: National
Language: Chinese

■ MING PAO DAILY NEWS:

Coverage of major local and international news, with emphasis on the PRC (the People's Republic of China), Hong Kong & Taiwan, reflecting the Ming Pao Daily Newspaper's editorial style of focusing on Hong Kong and China as well as world-wide coverage.

Circulation: 99 000 Readership: 303 000
City: Hong Kong Coverage: National
Language: Chinese

HONG KONG INVESTMENT FUND MARKET: STATUS AND OUTLOOK

The investment fund market in Hong Kong has experienced significant and rapid growth in the last decade. According to the Annual Report of the Securities and Futures Commission (SFC) in 1989, there were only 819 authorised funds with US\$36 billion under management in the Hong Kong market, as of March 1990. In March 2002, these numbers have grown to 1,890 and US\$285.2 billion respectively. In short, the number of authorised investment funds in Hong Kong has more than doubled in the last 11 years, with assets under management growing more than 20% per annum in the same period.

In many ways, the rapid growth of the investment fund sector and Hong Kong's status as a centre for international investment management is all the more remarkable to some observers. Although the market capitalisation of the Hong Kong stock market ranks as one of the highest in Asia excluding Japan, it has a relatively small domestic population, and until this year, a relatively low penetration rate for investment funds. The fact that the Hong Kong market is able to attract a large number of international funds, from various overseas jurisdictions and with diverse investment characteristics, suggests that Hong Kong is not only considered as a regional centre for fund management, but also the regional centre for the distribution and marketing of investment products. More than 95% of the funds authorised in Hong Kong are domiciled in overseas jurisdictions. As of the end of 2001, according to the SFC's annual Fund Management Activities Survey, there were a total of 172 investment management and investment advisory companies registered in Hong Kong with total assets under management amounting to more than US\$190 billion. Close to 70% of this amount come from non-Hong Kong investors.

One of the reasons for the rapid expansion of our fund industry can be attributable to the way we approach fund regulation. Due to the fact that Hong Kong is a relatively small but open economy, local regulators have adopted an open, flexible, and adaptive approach to regulation, while upholding the basic principles of investor protection. We conscientiously monitor and review global trends to determine how best to make use of new concepts and initiatives to enhance our competitiveness. We also proactively seek the mutual co-operation of local, and overseas regulators on matters related to fund management activities, cross border supervision and the exchange of information with overseas jurisdictions. In the past decade, Hong Kong has used the concept of "regulatory equivalence" to facilitate overseas fund managers and investment schemes to enter the Hong Kong market. Fund managers have to satisfy our investment experience criteria and as well as being appropriately supervised by their home regulator. Overseas investment schemes must also convince us that they possess similar regulatory safeguards before being allowed to offer their products to the Hong Kong retail market. We believe this pragmatic approach has helped us to create healthy competition and provide greater depth and breath within the Hong Kong investment fund market.

Going forward, we believe the next ten years will be even more challenging, for both regulators and industry practitioners in Hong Kong. The convergence of global regulatory standards and the growing complexity of investment products means that we will need to be even more vigilant and responsive to the effects of global trends, new ideas and concepts. This year, the SFC has taken the bold step of introducing comprehensive guidelines for the authorisation and disclosure of hedge funds that offer their products to the retail market.

We believe we are one of the first jurisdictions in the world to attempt to regulate this segment of the market. Enriching the diversity and breadth of the Hong Kong fund market remains one of our working objectives and we believe the best way to achieve this is through working in close partnership with both the industry and the public. Past experience has shown that meaningful and productive dialogue with the market is the most effective way to enhance our understanding of market trends and needs. In order to foster market confidence and understanding of our regulatory philosophy, we will continue to aim for greater transparency through public consultations and clear communication of our policy decisions. In the coming year, we intend to invite market comment on our efforts to enhance our Code on Unit Trusts and Mutual Funds and introduce new guidelines for the authorisation of exchange trade funds and as well as Real Estate Investment Trusts (REITs). In term of cross-border cooperation, we will continue to work with fellow regulators in the region to facilitate mutual recognition of standards and practices.

The SFC is also monitoring very closely the regulatory developments in mainland China. With China's accession to the World Trade Organisation, financial liberalisation and deregulation is likely to gather momentum. The recent announcement by the China Securities Regulatory Commission (CSRC) and the Peoples' Bank of China (PBOC) introducing the "Qualified Foreign Institutional Investors" (QFII) regime underscores China's determination to hasten economic reform and to open up its capital market. In our view, it is essential for Hong Kong to be responsive to new policy changes in the mainland and to be flexible enough to position ourselves to meet both the challenges and opportunities that these changes present. The strong links and close cooperation between the SFC and CSRC will help ensure that the investment fund markets in both Hong Kong and China will move forward together in a mutually beneficial way.

Tina So
Director, Investment Products Department
Securities and Futures Commission

ARGUMENTS IN FAVOUR OF PROMOTING MUTUAL FUNDS AS AN INVESTMENT ALTERNATIVE FOR RETAIL INVESTORS

In his opening speech as new Chairman of the Hong Kong Investment Fund Association (HKIFA) in September 2002, Ms Lin-Yoke Seetoh has clearly given the direction in which the Fund Association will concentrate all its efforts: "continue to develop more educational initiatives to promote mutual funds as an investment alternative for retail investors, and launch a number of initiatives to both stimulate interest as well as educate potential investors".

This statement is based on a number of surveys conducted by HKIFA over the past few months. The result of a first survey in July/August 2002 highlights that 9.5% of the adult population of Hong Kong, i.e. over 500,000 people, had a mutual fund investment. The corresponding figure in 1997 was only 3.2%. This is a very recent development. 51% only started to invest in funds in the past 3 years and close to half of these had only started in the 12 months preceding the survey. Most investors view funds as a medium to long-term investment. 32% hold their funds for at least 3 years and another 20% for between one and three years. The key reasons for switching or redeeming are "profit taking" (37%) and "in need of cash" (28%). 60% of respondents invested less than HK\$20,000 per transaction. A typical investor is above 30 years of age and relatively well educated. He/she is employed in a capacity other than managerial or professional grades and has a monthly income below HK\$ 20,000.

One of the key factors which has contributed to the growth of investor base in Hong Kong in the past two years is guaranteed funds. According to a HKIFA survey conducted in July 2002, 63% of investors who currently held investments in guaranteed funds had never invested in funds before. 65% of the respondents said that, before they invested in a guaranteed fund, they used to put their money in bank savings deposits. A series of interest rate cuts in the past 18 months have left bank deposit rates at an all-time low; and banks themselves have been actively promoting guaranteed funds as an alternative, seeking to broaden their sources of fee-based income. Of the survey respondents, 46% said they invested in a guaranteed fund because of the guaranteed return; 38% believed the return would be higher than bank deposits; and 30% saw guaranteed funds as a "low risk" investment.

Guaranteed funds do indeed promise some form of "guarantee"; but this does not in fact mean they are free of risk. When studying the fund prospectus, potential investors should note carefully the mechanism of the guarantee, the lock-in period, the up-front charges, the participation rate and the credit risk of the guarantor. 80% of respondents understood that they would enjoy the guarantee if they held their investment until maturity. 38% expected their guaranteed fund to return 5 - 10% upon maturity and 14% expected over 10%. Of those surveyed, 50% definitely expected to hold their investment until maturity and a further 36% said they might well do so. Upon redemption of their guaranteed-fund investment, 52% planned to put the money back into savings or time deposits.

In July 2002 the Hong Kong Investment Funds Association ("HKIFA") also conducted a survey on hedge funds using 1,000 fund investors and 500 non-fund investors. Among the fund investors, 21% said they might buy hedge funds and 50% would not. As for non-fund investors, 2% might buy hedge funds and 63% would not. 51% of non-fund investors and 42% of fund investors were not familiar with the operation of hedge funds. People tend to associate hedge funds with high risks and high returns. The term "hedge fund" encompasses a wide array of investment strategies and the risk/return profiles vary substantially amongst the various styles. The performance depends on the type of strategies used, the prevailing market conditions and above all on the skills of the manager. Unlike traditional unit trusts and mutual funds, hedge funds focus on absolute returns, i.e. they seek to provide positive returns in all market situations. However, due to the use of investment strategies such as short selling and leveraging, there is considerable risk of volatility and loss of capital in a hedge fund if is not managed properly. Furthermore, hedge fund strategies often require more time to unwind their positions to raise cash to return to investors.

One of the HKIFA conclusions is that, with an increasing level of education among investors, will come a steadily increasing interest in hedge funds. To that end a number of educational materials have been prepared by the Association including a table comparing hedge funds with traditional unit trusts/mutual funds and a list of questions which an investor should ask before investing in a hedge fund. These efforts, combined with the regulatory framework from the HKSCF covering alternative investments, will no doubt strongly contribute to the steady growth and increased sophistication of funds distributed in this market.

Source: Hong Kong Investment Fund Association

FINANCIAL NEWSPAPERS

■ **HONG KONG ECONOMIC JOURNAL:**

The HKEJ is one of the leading financial and business daily newspapers in Hong Kong. It provides concise coverage of Chinese news, focusing on trade and investment opportunities in China and China-Hong Kong relations. It also reports on international political and economic issues of concern to Hong Kong business people and investors. Local and international current issues are developed in articles with the help of renowned academics and commentators writing on world-wide as well as local topics. Besides its small but growing circulation in South East Asia, the HKEJ is also the only Chinese financial daily to circulate in North America and is printed in San Francisco and Toronto.

Circulation: 63 000 Readership: 233 000
City: Hong Kong Coverage: International
Language: Chinese

■ **HONG KONG ECONOMIC TIMES:**

Launched in 1988, The HKET is the business daily for readers with a serious interest in this field. It provides business people, executives, investors and professionals with updated and relevant news, market information as well as analysis. It is divided into 4 sections covering in Section A - Financial & Marketing information and Local News, Section B - Analysis of Forex, Fund & Stock Markets, Section C - Entertainment - and Section D - Property Market Information. The weekly magazine *Money Time* is inserted in the newspaper every Monday.

Circulation: 73 500 Readership: 240 000
City: Hong Kong Coverage: National
Language: Chinese

PAN ASIAN

■ **THE ASIAN WALL STREET JOURNAL:**

Asian edition of the American daily. The AWSJ is a business and financial information daily newspaper published in the morning in Hong Kong. It is also printed in Singapore, Tokyo, Bangkok and Kuala Lumpur. The AWSJ circulates throughout Asia and Australia.

Circulation: 85 000 Readership: 540 000
Language: English Coverage: Pan Asia

MAGAZINES & PERIODICALS

■ **CAPITAL (HONG KONG):**

This is the leading Chinese business and financial magazine with a mission to explore the fabrics of the local business community in depth.

Circulation: 30 000 Frequency: Monthly
Language: Chinese Format: A4 magazine

■ **HONG KONG BUSINESS:**

It is the only English-language business monthly dedicated to Hong Kong and China. Coverage includes the economy, investment manufacturing, politics, technology, travel & trade, plus special overseas features with in-depth reporting on bilateral economic ties with Hong Kong. The Hong Kong Business readership comprises high-income decision-makers.

Circulation: 23 000 Frequency: Monthly
Language: English Format: A4 magazine

■ **HONG KONG ECONOMIC JOURNAL MONTHLY:**

Magazine renowned for the quality of its articles covering business and finance. It has an affluent and well-educated readership locally and enjoys a wide circulation overseas.

Circulation: 6 500 Frequency: Monthly
Language: Chinese Format: A4 magazine

■ **SUNDAY MORNING POST:**

Sunday edition of South China Morning Post. Its editorial coverage of national news is substantial and its breadth of local news, features, business and financial news has made the Sunday China Morning Post an important English language weekly.

Circulation: 94 000 Frequency: Weekly
Language: English Format: Broadsheet newspaper

■ **FAR EAST ECONOMIC REVIEW:**

It provides information on the stock market and contains useful political, economic and business articles.

Circulation: 100 000 Frequency: Weekly
Language: English Format: A4

(Source: Information Service Department, Hong Kong Special Administration Region Government)

(Source: Publicitas Promotion Network)



23 January 2003: Taxation of Trust & Trustees in Switzerland

Organised by: Management Global Information
Location: Dolder Grand Hotel, Zurich
For more information: www.mgi-direct.ch

27 January 2003: Irish & European Financial Services Law & Regulation

Organised by: IBC Financial
Location: The Westin, Dublin
For more information: www.ibt-financial.com

28-29 January 2003: Pan-European Distribution of Alternative Investment Products

Organised by: IIR Conferences
Location: Ramada Plaza, London
For more information: www.iirconferences.com

29 January 2003: European Fund Services Summit

Organised by: Euromoney Seminars
Location: Crowne Plaza London St James, London
For more information: www.euromoneyseminars.com

5 February 2003: Compliance Officer

Organised by: Institute for International Research
Location: Novotel - Quartier Européen Nord - Kirsberg, Luxembourg
For more information: www.iir.be

6 February 2003: Impact of Spanish Taxation Reform on the Distribution of Funds and Life Insurance Products

Organised by: IBC Conferences
Location: Melia Avenida America, Madrid
For more information: www.ibt-financial.com/esTAX

7 February 2003: Implementation of Ucits III: its Impacts on the Distribution of Funds in Spain

Organised by: IBC Conferences
Location: Melia Avenida America, Madrid
For more information: www.ibt-financial.com/esUCITS

11 February 2003: The 5th Annual Conference: Fund Compliance & Risk Management: a Luxembourg/Europe

Organised by: Management Global Information
Location: Kikuoka Golf Club, Luxembourg
For more information: www.mgi-direct.ch

18 February 2003: The Wall Street Journal Europe: The 8th Annual International Fund Management Conference

Organised by: Dow Jones Conferences
Location: Grand Hotel Krasnopolsky, Amsterdam
For more information: www.djconferences.dj.com/fund2002

20 February 2003: Asset Strategies for Today's Markets

Organised by: Specialist Pension Services Conferences
Location: Thistle Tower, London
For more information: www.spsconferences.com

24 February 2003: European Pensions 2003

Organised by: Information Management Network
Location: Hotel Arts, Barcelona
For more information: www.imn.org

26 February 2003: European Fund Regulation 2003

Organised by: IBC Conferences
Location: Crowne Plaza London St James, London
For more information: www.ibt-financial.com/fundreg

6 March 2003: Fifth Retail Banking Conference

Organised by: Economist Conferences
Location: The Café Royal, London
For more information: www.economistconferences.com

11 March 2003: ALFI Spring Conference

Organised by: ALFI - Association Luxembourgeoise des Fonds d'investissement
Location: Hemicycle of the Conference Centre Luxembourg Kirchberg
For more information: www.alfi.lu

12 March 2003: Projects International 2003

Organised by: ICBI
Location: Hotel Concorde La Fayette, Paris
For more information: www.icbi-uk.com/projects/

18 March 2003: The 10th Asia Pacific Issuers and Investors Forum

Organised by: Euromoney Conferences
Location: Ritz Carlton Millenia, Singapore
For more information: www.euromoneyconferences.com

20-21 March 2003: The 2nd Annual Zurich Conference: 3rd Party Funds Distribution

Organised by: Management Global Information
Location: Hotel Grand Dolder, Zurich
For more information: www.mgi-direct.ch

24 March 2003: The Alternative Investment Summit 2003

Organised by: IRC Conferences
Location: Royal Lancaster Hotel, London
For more information: www.globalfundanalysis.com

GUIDELINES ON HEDGE FUND REPORTING REQUIREMENTS

In November 2002 the Hong Kong Securities and Futures Commission (SFC) announced the authorisation of the first three hedge funds under its May 2002 guidelines (which permitted hedge funds to be offered for sale to the public in Hong Kong).

Concurrently with these authorisations and after a process of consultation¹, the SFC issued reporting requirements for authorised hedge funds. Some of the main features of the reporting requirements for authorised hedge funds are set out below.

1. Frequency and Timing of Publication of Reports

A fund must publish quarterly reports (four in each year) to be available within one month of the end of the relevant period (six weeks for a fund of hedge funds), one semi-annual report (to be available within two months of the end of the relevant period) and one audited annual report (to be available within four months of the relevant period, six months for a fund of hedge funds).

If the management company intends to issue monthly reports to investors there is no need to publish additional quarterly reports provided that the information required in quarterly reports is given in each monthly report.

2. Disclosure of top holdings/exposures

In all of the reports the management company can choose the most appropriate method of illustrating the key holdings/exposures subject to the following minimum requirements:

A fund of hedge funds must report or disclose:

- The top five underlying holdings (the underlying fund name and the percentage of the net asset value it represents);
- The total number of underlying funds and number of underlying fund managers;
- If it is a multiple strategy fund, the number of underlying funds and underlying managers for each strategy;
- The exposures of the fund including cash and cash equivalents categorised by geographical region, industry, strategy or another basis that seems appropriate given the objective and strategy of the fund.

For funds other than funds of hedge funds the following must be disclosed:

- The exposures of the fund including cash and cash equivalents categorised by geographical region, industry, strategy or another basis that seems appropriate given the objective and strategy of the fund;
- The names and amounts of the top five long positions and the top five short positions held by the fund on a gross basis;
- The aggregated gross long and short positions held by the fund (expressed in percentage terms).

3. Additional Requirement for Annual Reports - Disclosure of Performance Fee

For the annual reports the amount of any performance fees payable by the fund must be disclosed as a percentage of average net asset value of the fund as at the end of the financial year. For funds of hedge funds, it is only necessary to disclose performance fees at the top fund level.

4. Quarterly Reports - A New Requirement for SFC-Authorised Funds

As quarterly reports are a new concept, the SFC requires that the first draft quarterly report of a fund must be approved by the SFC and that the fund obtain a "no objection" letter on the format before the first quarterly report is issued in Hong Kong.

Quarterly reports should be provided in both English and Chinese and should include a responsibility statement from the directors of the fund or the management company as to the accuracy of the information included. The report should include a commentary covering a performance review, a market outlook, any changes in key investment personnel and their impact and details of any litigation. It should also include a portfolio review giving information on the fund's total net asset value, net asset value per share, percentage change in net asset value per share and information on cash borrowings and other sources of leverage.

Disclosure of performance and risk measures should also be given in tabular form. The reporting requirements set out a sample format with the required parameters and time frames for such disclosure. This requires disclosure of actual monthly returns for each month in the last three calendar years, the Sharpe ratio, maximum and minimum net asset value per share and annual return figures. The management company is encouraged to disclose other risk measures, if appropriate.

A quarterly report should also disclose the amount of seed money invested by the management company or its connected persons as a percentage of net asset value and describe the illiquid holdings of the fund.

The SFC has noted that its intention is to try to enhance the transparency of hedge funds for retail investors in Hong Kong. However, it is aware of the balance which needs to be struck between facilitating market development and ensuring investor protection and it has sought to weigh the burden of each additional requirement imposed on hedge fund providers against the resulting benefit to the investing public.

By Susan Gordon, Partner, Deacons, Hong Kong

¹ An article by Deacons outlining the responses to the SFC's initial Consultation Paper on Hedge Funds Reporting Requirements appeared in the AIMA Journal, December 2002, Issue no. 54.

**IN BRIEF****NEW ALTERNATIVE INVESTMENTS SECTION IN THE WALL STREET JOURNAL EUROPE AND THE ASIAN WALL STREET JOURNAL:**

WSJE and AWSJ are the first international publications to launch a section specifically dedicated to Alternative Investment Funds.

The section is embedded in the International Fund Listing in the form of a board on the top right hand side of the listing.

The Wall Street Journal Europe and The Asian Wall Street Journal's audience is ideal for alternative investment fund companies who wish to target high-net-worth individuals, with average value of \$1,5 million household investments of The Wall Street Journal Europe's readers and \$1,9 million household investments of The Asian Wall Street Journal's readers.

Source: WSJE/AWSJ World Executive Survey carried out by Beta Research.

HEDGE: THE MAGAZINE ABOUT ALTERNATIVE INVESTMENT & PRIVATE BANKING

Hedge, the brand new magazine about Alternative Investment & Private Banking, aims to be a reliable source for the European Financial Industry. It is the first magazine in Italy which sets out to recount the evolution of the Alternative Investment Industry independently and impartially. It is directed at specialist brokers and professional investors. Hedge provides the information needed to understand how Alternative Investment works, by making use of expert contributions to provide trustworthy information. Hedge is available throughout Italy, in Lugano, London and Monte Carlo. The magazine appeals to readers thanks to the richness of its contents and to the explanatory pictures and charts.

A new page format has been tested in order to satisfy all advertising needs. Main sections:

The main sections of Hedge include amongst other things: hedge funds and private banking analysis and focus on Exchange Traded Funds and the real estate industry.

NEW: INTERNATIONAL FUND SERVICES IN INTERNATIONAL MONEY MARKETING:

IMM will carry a dossier 6 times a year devoted to issues affecting fund administration and other fund services.

This section will examine areas such as key market players, market share, trends, competing jurisdictions such as Luxembourg, Dublin, Channel Islands and the Isle of Man, and legislation, and will include regular interviews with key providers.

THE NEW DAGENS NYHETER IN 2003:

From the beginning of 2003, the Swedish Dagens Nyheter will change the size of the B and C sections. The ECONOMY/SPORT - and CULTURE sections will be printed in tabloid format, while the news section with opinions and debates will remain in the large broadsheet format.

Also, from 2003 the newspaper will launch its new fund listing section with a higher profile and added values to the publication such as logo and detailed header.

On average, Dagens Nyheter is read by 950,000 people daily.

NEW: INTERNATIONAL FUND STRATEGY DOSSIER IN INTERNATIONAL MONEY MARKETING:

This new dossier will appear 5 times this year and will focus on the performance, marketing and strategy of funds sold internationally and within the European single market.

Dossiers will regularly cover hedge funds and multi-manager products as well as examining areas such as structured products, investment themes and styles, fund charges, ratings and active versus passive management. There will be regular interviews with key players.

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