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FSA gives hedge funds a “clean bill of health”

The Financial Services Authority (FSA) in its latest survey, titled “*Assessing possible sources of systemic risk from hedge funds*”, found that major hedge funds did not pose a potentially destabilising credit counterparty risk across surveyed banks. Commenting on the FSA report, the Association for Financial Markets in Europe (AFME) said: “*The date, which firms provide voluntarily, demonstrate the commitment of prime brokers and major hedge funds to be transparent in their dealings and should help silence the unjustified criticism that they are a destabilising factor in the markets*”.

The FSA report is available on www.fsa.gov.uk/pubs/other/hedge_funds.pdf

Hedge fund manager searches double in 2009 – “looking to allocate up to 15%”

The number of pension schemes looking to invest money with hedge funds doubled during 2009, according to leading investment consulting firm *Hewitt Associates*. Other consultants, which play a crucial role as intermediaries in guiding pension funds’ investments, also report a change in attitude towards hedge funds. According to Damien Loveday, a senior investment consultant at Towers Watson, “*pension fund trustees had become more sophisticated. Most UK schemes were now looking to allocate up to 15% of their portfolio to hedge funds*”. -**(FT.com)**

Emerging Asia leads 2009 hedge fund recovery

The HFRX China Index posted a record performance gain of 50% in 2009. Overall, investors are allocating

new capital in Asian hedge funds despite the strong gains during 2009. The total amount of assets in Asian hedge funds now stands at approximately \$76 billion – representing approximately 5% of global hedge fund assets and 15% by way of the number of funds. Nearly 24% of all Asian focused hedge funds are now located in China.

“*Global investors are continuing to allocate to the Asian hedge fund industry as a way of assessing strong secular growth and diversification of investment strategies, said Ken Heinz, president of Hedge Fund Research Inc*”.

- **(thehedgefundjournal.com)**

SEC approves short selling restrictions - “alternative uptick rule”

The Securities and Exchange Commission (SEC) has adopted a rule to place certain restrictions on short selling when a stock is experiencing significant downward price pressure. “*It is important for the commission and the markets to have in place a measure that creates certainty about how trading restrictions will operate during periods of stress and volatility*” – Mary Schapiro (Chairman of the SEC).

The alternative uptick rule (Rule 201) imposes restrictions when a stock has triggered a “circuit breaker” by experiencing a price decline of at least 10% in one day. When the circuit breaker has been triggered, the alternative uptick rule would apply to short sale orders in that security for the remainder of the day as well as the following day. Short selling would only be permitted once the price of the security is above the current “best” bid price.

- **(hedgeweek.com)**

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