

8 October 2008

MEDIA STATEMENT



The Australian arm of the Alternative Investment Management Association (AIMA), the representative body of the hedge fund industry, today released a survey its hedge fund manager members on the impact the ban was having on their investment strategies and business.

Some 27 managers covering 28 hedge funds, and representing \$24.7 billion in assets under management, responded to the survey. A summary of the results can be found at <http://www.aima-australia.org/KnowledgeCentre.html>

Key findings were as follows:

- 70,710 investors were represented, split 53% as wholesale investors as 47% as retail investors. Notably, while over 55% of the hedge fund managers surveyed said the short selling ban would materially affect their ability to implement their strategy, only six managers were considering suspending or closing their fund's application/redemption terms.
- Only a small minority of hedge funds were passively managing their short positions. The vast majority of managers were consistently active in managing their short position exposures. Only four managers modified 10 or less short positions in their funds since June 30th. The rest were evenly spread between modifying 11-20 short positions up to 50+ short positions in their fund over the same period.
- The most common complaint about the short selling ban was either it negatively affected the manager's investment strategy or it negatively affected Australia's reputation as a sophisticated financial centre. Individual comments from respondent managers were extremely negative in their assessment of the short selling ban.

The results have been presented to ASIC and AIMA has also made submissions to Treasury and Senator Nick Sherry.

AIMA Australia Chairman Kim Ivey said: "AIMA Australia's view the short selling ban has not only created problems in the industry, but has also damaged Australia's reputation as a safe and sophisticated market for offshore investors.

"AIMA has also raised concerns with ASIC that any equity raising undertaken by one or more of the banks in a expansionary takeover, while short selling is absent, will pose dangers for all parties to the transaction on how the cost of any takeover equity is being determined.

"While the regulator continues to ban short selling, both widespread market liquidity and true price discovery is being undermined. This creates a significant moral hazard for the takeover parties and the government should investors invest in equity offerings that have been deliberately supported by regulation.," Mr Ivey said.

For more information, please contact: Susan Redden Makatoa, 0403 870 383, susan@shj.com.au

The Alternative Investment Management Association Limited was established in 1990 as a direct result of the growing importance of alternative investments in global investment management. It is a not-for-profit educational and research body that represents practitioners in hedge funds, futures funds and currency fund management – whether managing money or providing a service, such as prime brokerage, administration, legal or accounting advice. AIMA's global membership is in excess of 1,000 members in 46 countries. AIMA Australia has over 60 members, including fund of fund managers, institutional investors, hedge fund managers, prime brokers, lawyers, auditors and other service providers who serve the hedge fund industry.