

## Macro and FX hedge funds heading for Asia

Prop desk spin-offs by banks will lead to more complex strategies in the region, says State Street's head of international fund services for Asia-Pacific, Aisling Keane.

By Yvonne Chan 23 September 2011

More macro and foreign exchange (FX) hedge funds are in store for the region as banks spin off their Asian proprietary desk trading strategies, according to Aisling Keane, head of State Street's International Fund Services (IFS) for Asia-Pacific.

It will lead to a broader range of more complex hedge fund strategies in Asia, which is dominated by long/short equity funds. The development of more complex funds in Asia "requires people to come into the market and start creating this OTC-type trading", says Keane. "Other managers should then follow their lead."

The Volker Rule in the US, which bans prop desk trading by banks, has spurred hedge fund spin-offs, with the most prominent in Asia being Hong Kong-based Aventus Capital Management. It runs the \$2 billion Global Opportunities Fund that is effectively a spin-off of a strategy previously operated under Goldman Sachs.

IFS is State Street's hedge fund administration company and part of the custodial bank's Alternative Investment Solutions (AIS) group. AIS launched hedge fund services in the region in June this year and over the past three months has gained \$1 billion in assets under administration by Asian hedge funds, says Keane.

The new clients include funds of funds and long-short equity strategies, but Keane anticipates a more

diverse range of hedge funds to come on board in future. IFS specializes in handling complex fund strategies, she says, providing middle-office trade support, collateral management and risk analytics services.

As part of the regional build-out of State Street's alternative services business, Keane was relocated to Hong Kong in April this year from the Dublin office of IFS, where she oversaw the development of its European operations.

In her new role, Keane is responsible for building the middle and back office and custody services suites for Asian hedge funds, which will be serviced out of State Street's Hong Kong office. She is also tasked with building relationships with asset managers, including Asian hedge funds, global fund managers with Asian operations, and overseas funds that are looking to launch a strategy in the region. "Asia is one of the places to be at the moment," says Keane.

While State Street's operations in the US and Europe are known for servicing larger hedge funds with at least \$100 million in assets, it is looking to partner Asian hedge fund managers that may be smaller in size but have the potential to grow, says Keane.

"Unlike Europe or the US, the [fund] launches are smaller here in Asia. We want to invest in people we believe have the potential to grow. It's clear that the number of larger hedge funds in Asia is growing."