

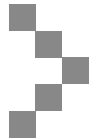
**Presenting  
debate on  
contemporary  
and emerging  
portfolio  
construction  
issues**



portfolio  
construction

CONFERENCE

15 & 16 August 2007 | AJC Convention Centre, Randwick, Sydney



**6<sup>th</sup> Annual Portfolio Construction Conference**  
*Convergence in the funds industry, from mutual funds to private equity*

Patrick Tuohy  
Asia Pacific Head  
HSBC Alternative Investment Group  
August 2007

*“It is not necessary to change. Survival is not mandatory.”*

*W. Edwards Deming*  
(1900-1993)



*“The more things change, the more they are the same.”*

*Alphonse Karr*  
(1808-1890)





## Contents



1

The Past – Investors drive product innovation

4



2

The Present – Absolute return is the measurement of choice

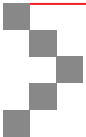
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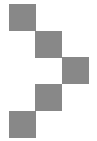


3

The Future – Where are we headed ?

15



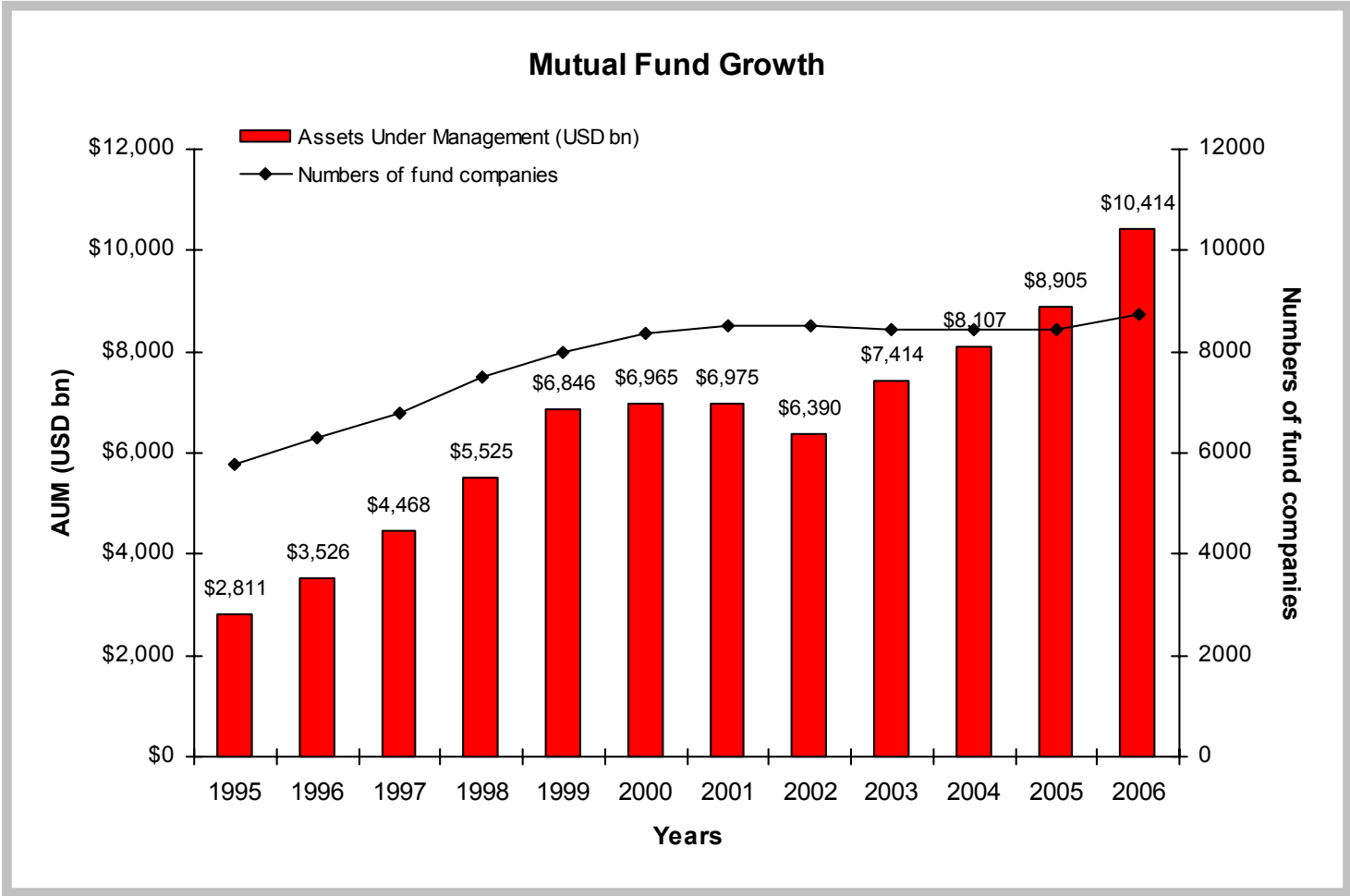


## 1. The Past

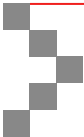


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# Growth in mutual fund



Source: "2007 Investment Company Fact Book" by ICI

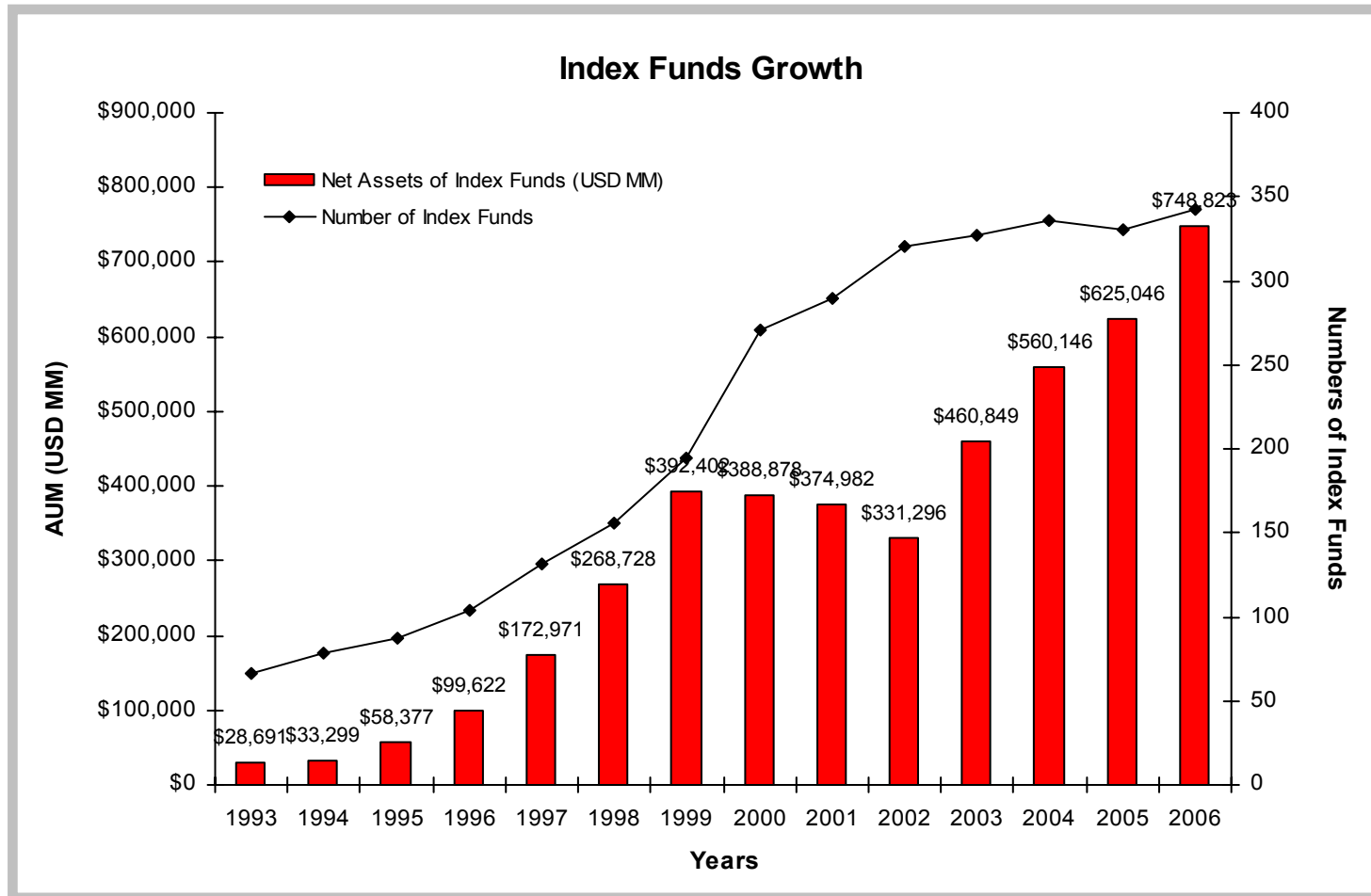




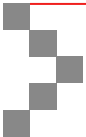
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## Growth in index funds

- 342 index funds managed total assets of USD749bn, as of year-end 2006.



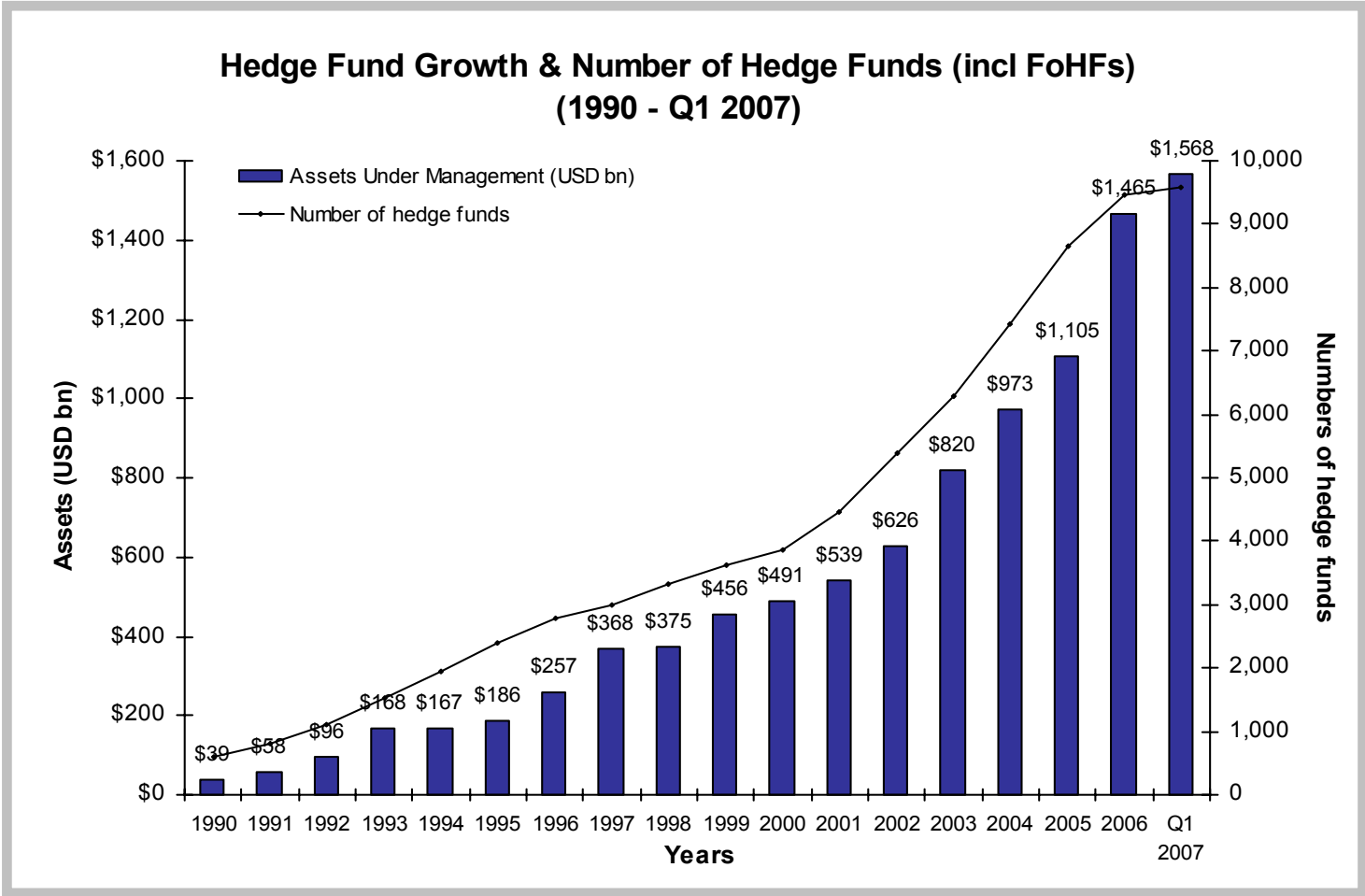
Source: "2007 Investment Company Fact Book" by ICI



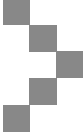


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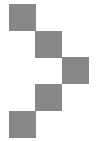
# Growth in hedge funds



Source: Q1 2007  
HFR Industry Report





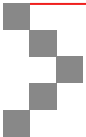
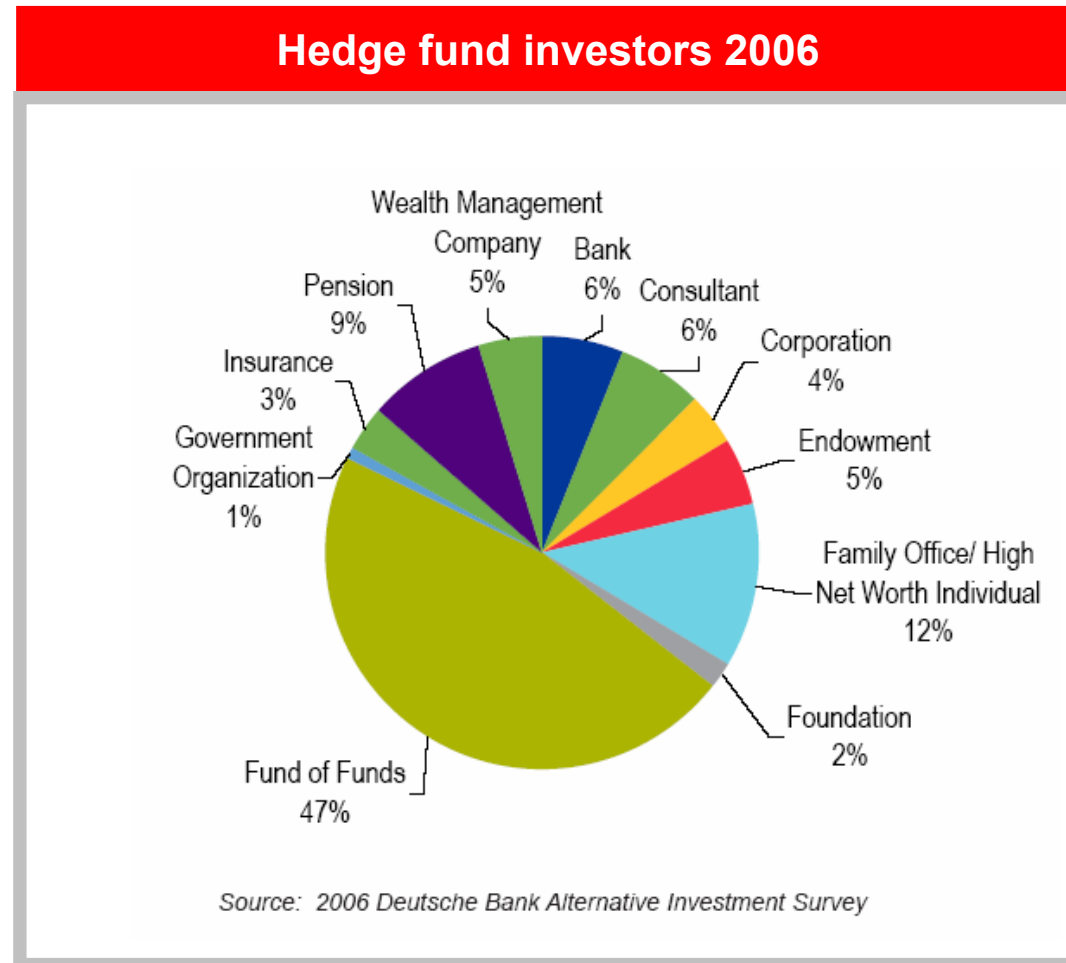


## 2. The Present



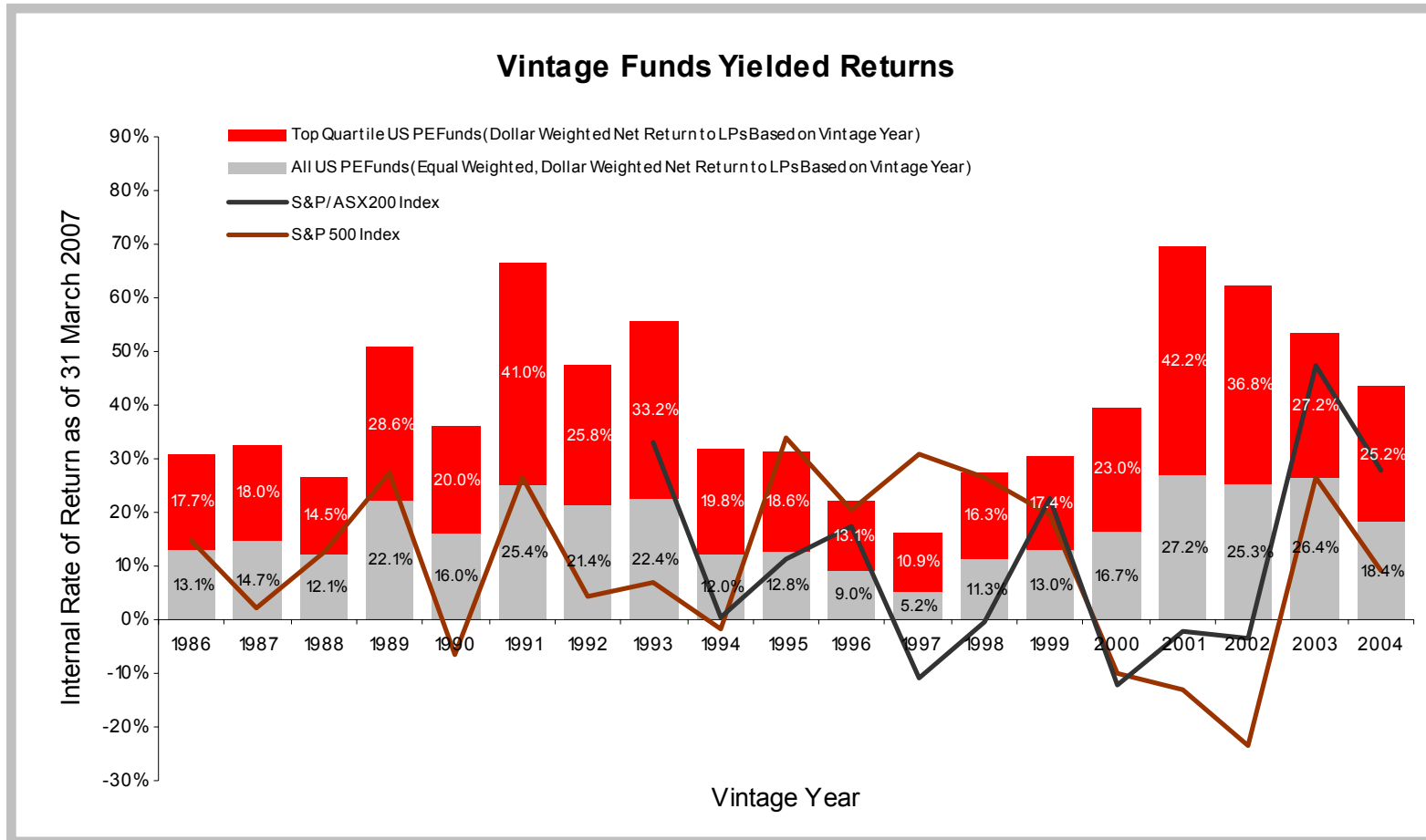
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## Absolute return is the benchmark of choice





# Private Equity the king of the jungle



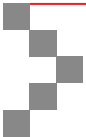
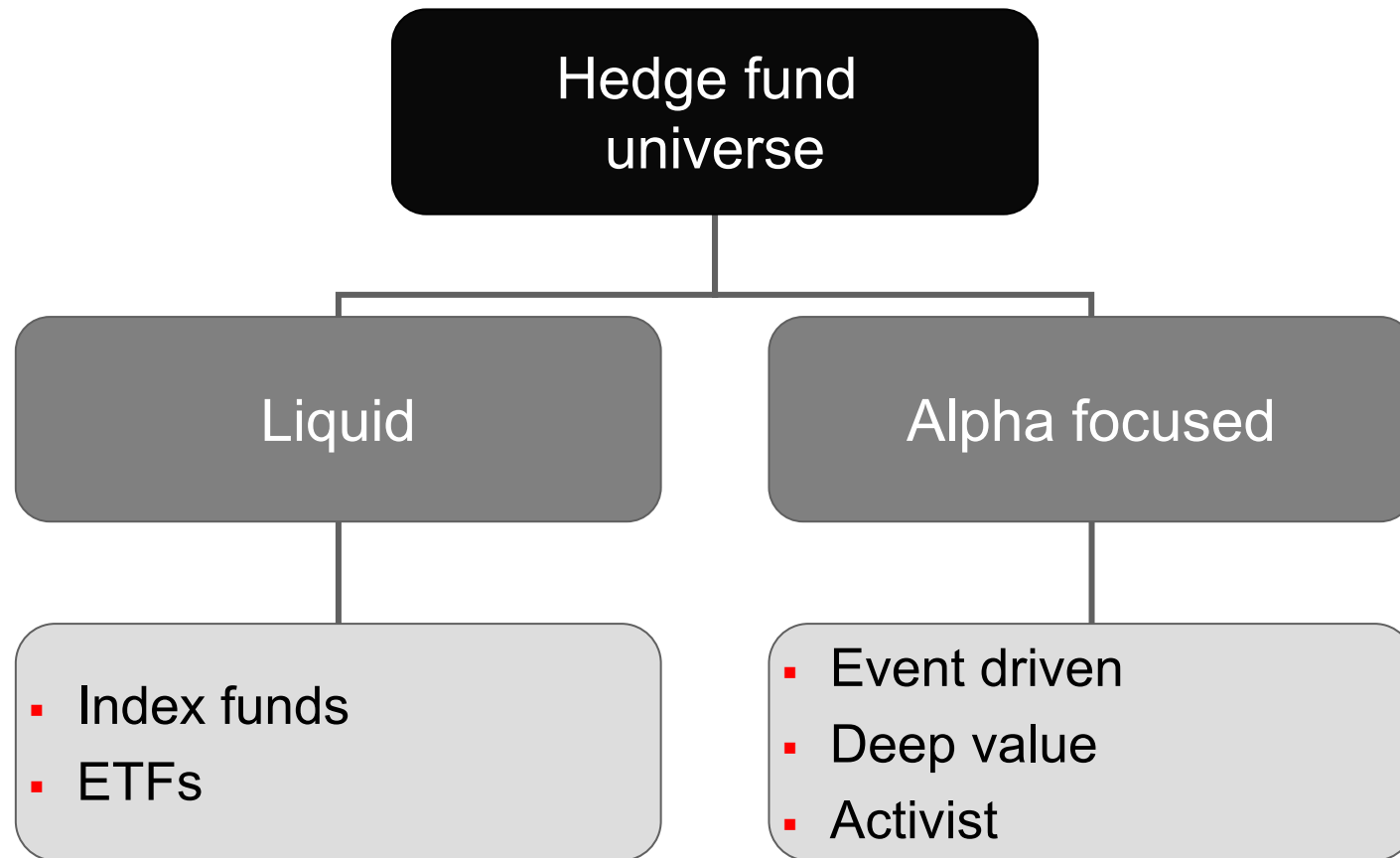
Source: Cambridge Associates LLC U.S. Private Equity Index and Benchmark Statistics, 31 March 2007; Bloomberg  
 Note1: 2005 and 2006 returns are not material as results are premature and capital continues to be deployed  
 Note2: Based on data compiled from 630 U.S. private equity funds, including fully liquidated partnerships. Returns are net of fees, expenses and carried interest.





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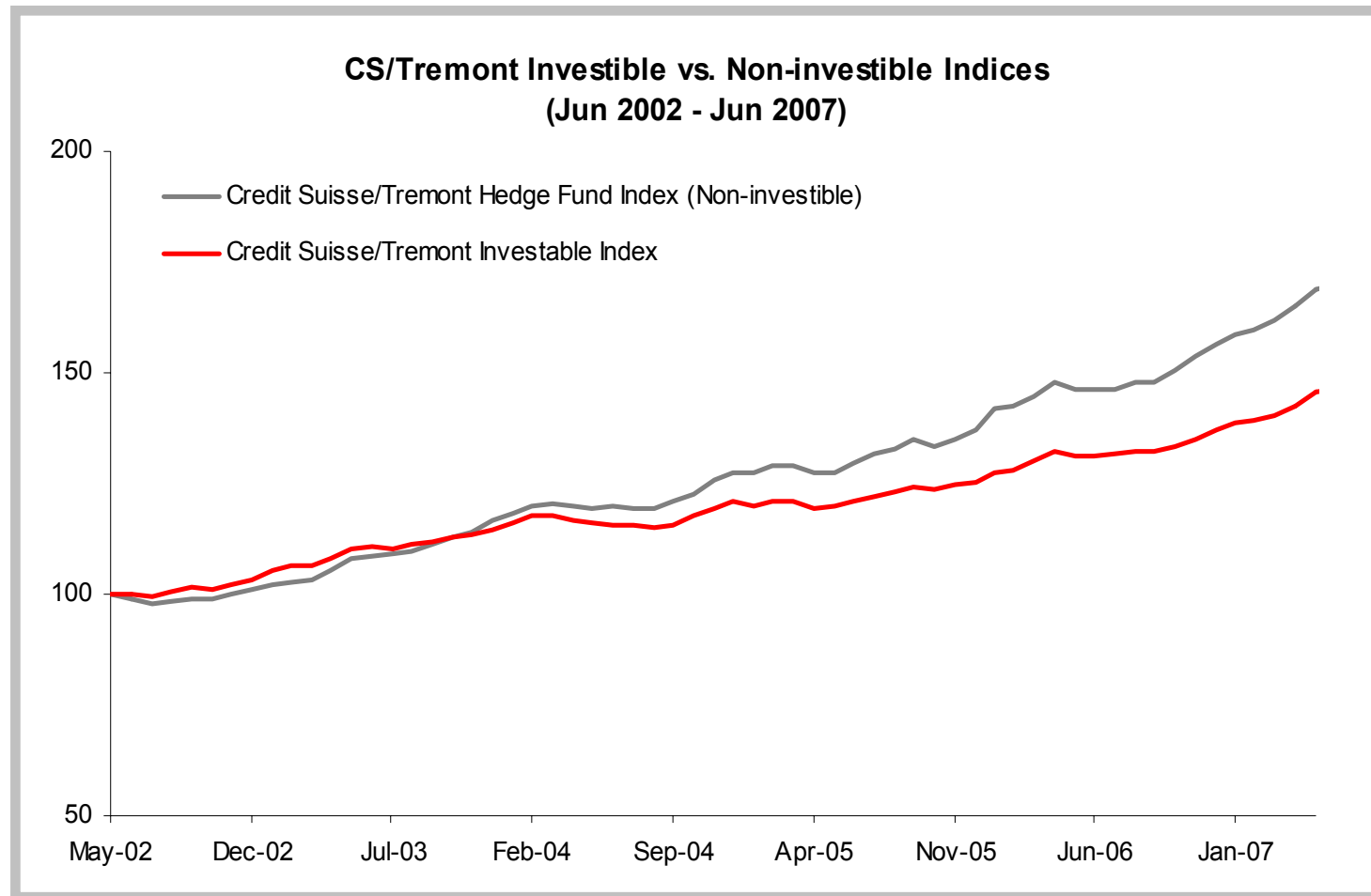
## Alpha returns vs. Liquidity



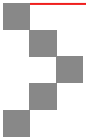


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## Investible indices



Source: CS/Tremont Index



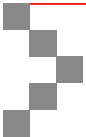
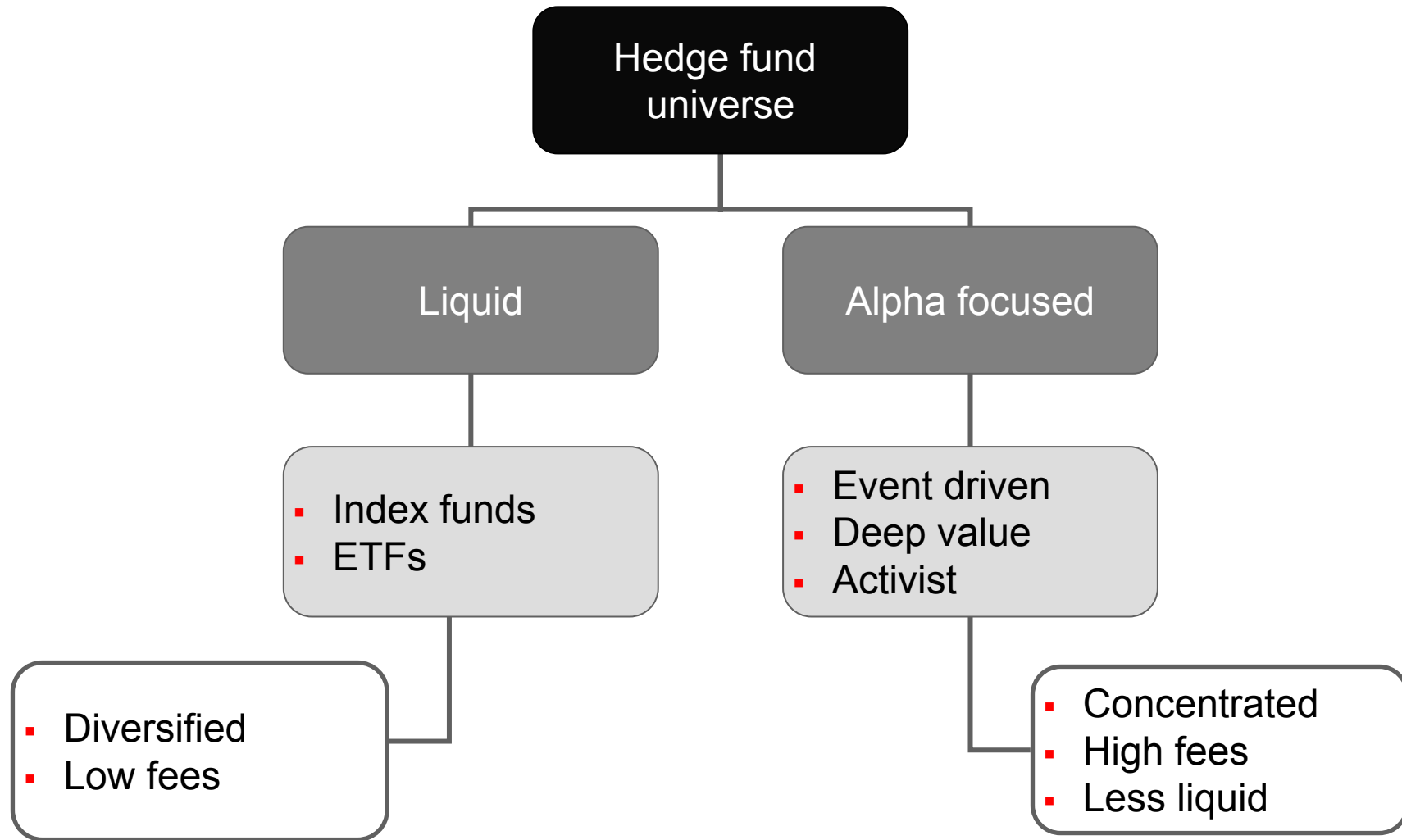
Convergence in the funds industry, from mutual funds to private equity

HSBC 



2

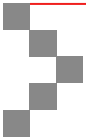
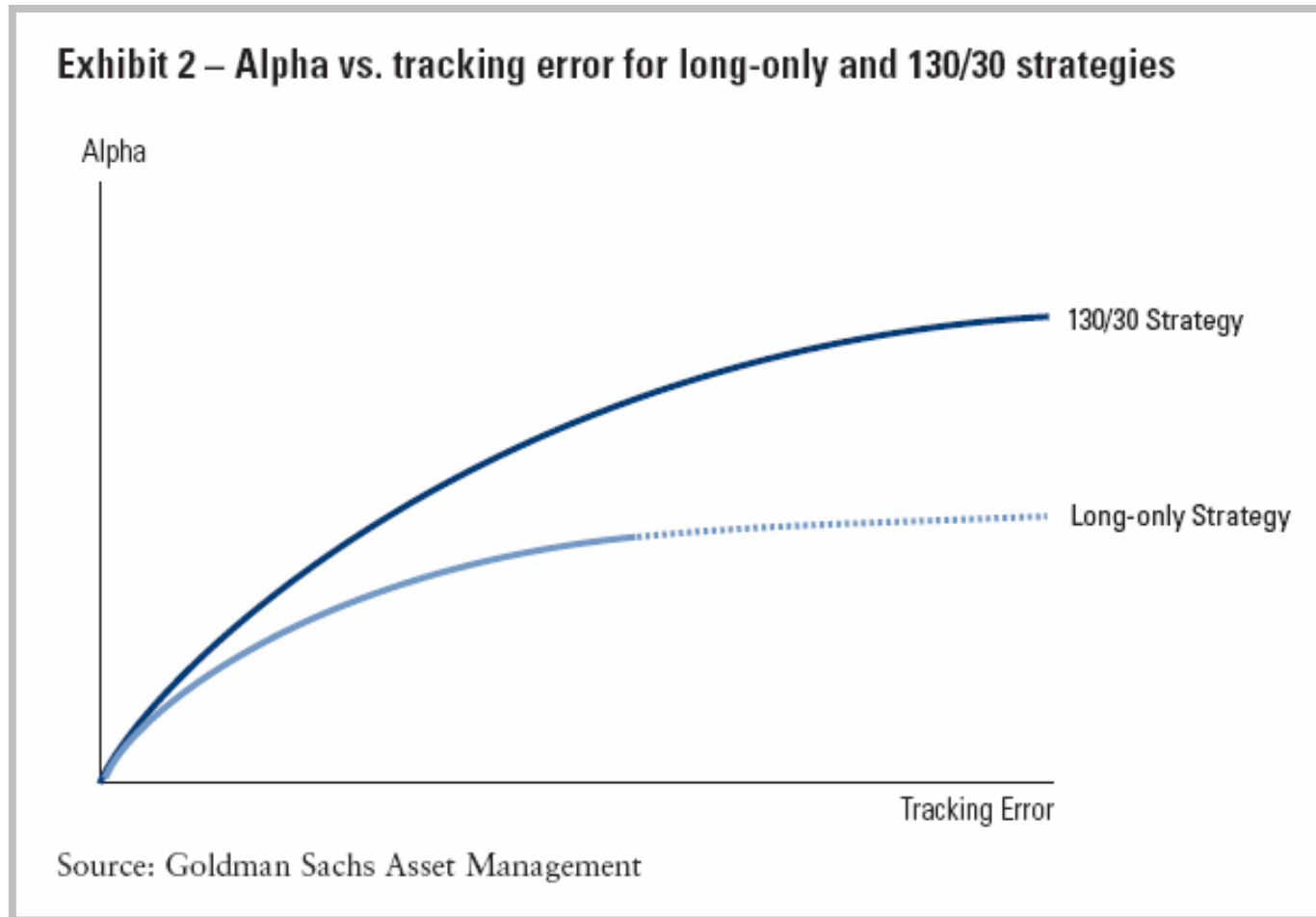
## Alpha returns vs. Liquidity

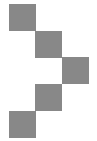




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## 130/30 Funds the investment industry intersection





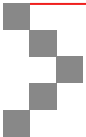
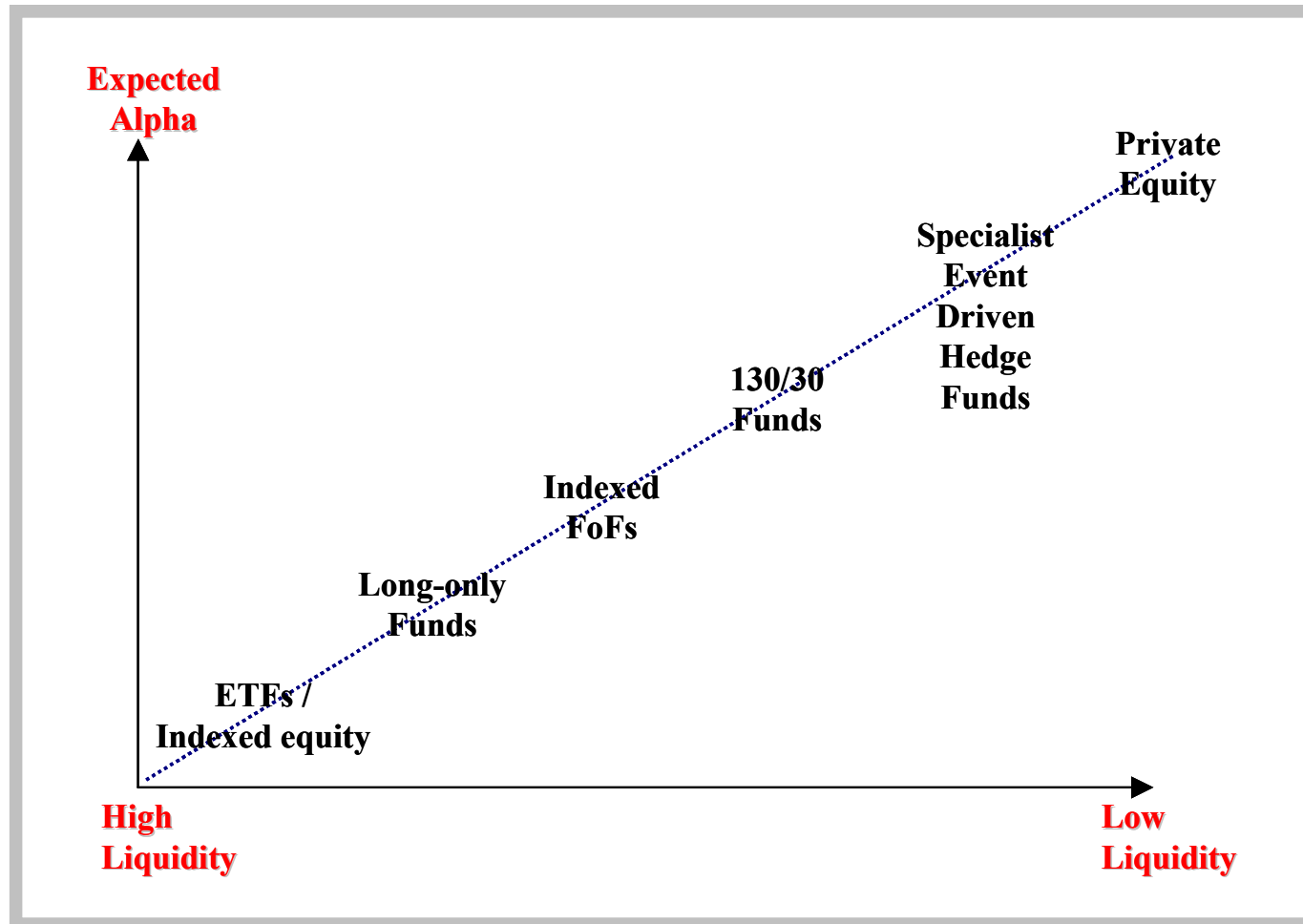
### 3. The Future





3

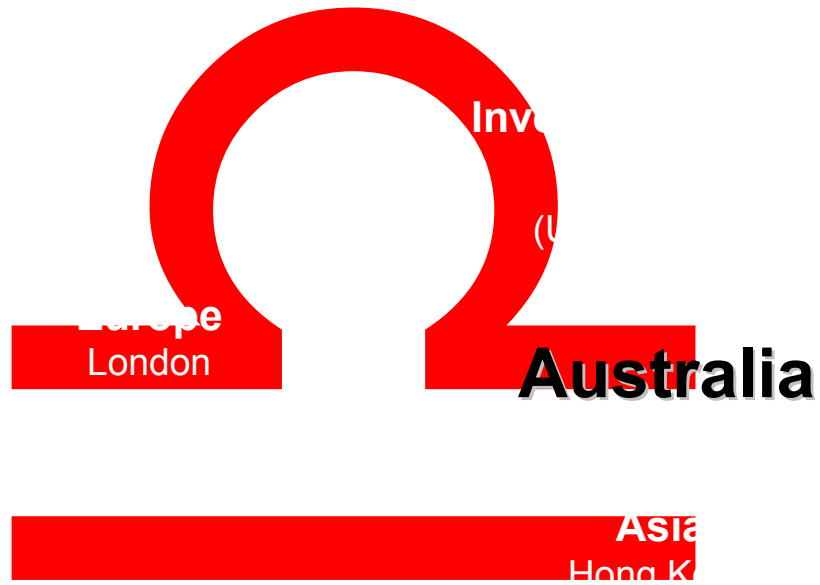
## The future



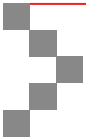


3

# HSBC Alternative Investment Group (“AIG”)



\*As of 30 June 2007



Convergence in the funds industry, from mutual funds to private equity

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