SINGAPORE: Hedge funds that invest in Greater China are no more risky than those with money in the US.

This is according to a survey commissioned by Fullerton Fund Management.

The study was conducted partly to determine if hedge fund managers were merely riding market uptrends or whether they were able to produce higher returns based on their skills.

Although markets in the region are enjoying a nice bull run, it does not mean that fund managers do not have to put their skills to the test.

According to Fullerton Fund Management, hedge funds in emerging markets in the region, especially China, are more than just rising on market trends.

Shirin Ismail, Director, Fullerton Fund Management, says: "Most funds are not just blindly following the market. They have alpha, what we call skills that help them extract additional sources of returns, able to uncover areas or rather inefficiencies in the market, and protect you on the downside. That means they should, through their stock picking capability, macro timing or trading capability, protect you in a downturn if a downturn does occur."

The survey also showed market risk exposure for Greater China funds to be similar to those for US funds.

What is also interesting is that fund managers have been able to minimise their risk exposure to the Chinese market through shortselling Chinese counters listed outside the country.

Shirin Ismail says: "So we realised that in such funds, the region or rather the investment universe is very wide, it includes Hong Kong, Taiwan, China and sometimes even outside of this region to a small extent. They have access to overseas markets...and they can effectively shortsell, ie hedge their portfolio."

Overall though, the performance of the hedge funds is varied.

Some reported returns in the single digits while there are others which came in at triple digits.

The survey was carried out by Singapore Management University and covered data from the year 2000 to 2006. - CNA/ch