

Performance Update all data in %

By clicking on the index name you will be able to access a fact sheet containing more detailed information

Fund of Hedge Funds Indices	Mar	Feb	YTD	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	1.73	0.13	1.50	10.67	-19.73	10.07	11.25
HFR1 FoHF Composite Index	1.69	0.13	1.45	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index		0.29	0.29	10.34	-17.04	8.68	9.11
InvestHedge Composite	1.55	0.19	1.51	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	1.67	0.16	1.36	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	1.64	0.20	1.39	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	1.84	0.10	1.51	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD		0.21	-0.79	8.61	-19.84	10.99	9.81
Average FoHF Indices	1.69	0.18	1.29	10.18	-19.63	9.67	9.89

Investable Hedge Funds Indices	Mar	Feb	YTD	2009	2008	2007	2006
CS/Tremont Investable HF Index	1.62	3.87	6.98	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	1.38	0.26	1.63	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	1.62	0.40	1.92	19.25	-21.21	8.22	10.62
Average Investable HF Indices	1.54	1.51	3.51	16.68	-23.59	6.62	9.84

Investable Hedge Funds Indices	Mar	Feb	YTD	2009	2008	2007	2006
Replication Indices	1.70	0.30	-1.20	9.06	-13.80	8.10	13.30

Numbers prior to the date of inception of the Investable Indices are pro forma. Fees may not be included.

Average FoHF Indices Last Month 1.69
Average Investable HF Indices Last Month 1.54
Industry News
Biggest funds of hedge funds take big hit in assets

The world's biggest funds of hedge funds took a beating over the last year-and-a-half, with more than one-third of their assets evaporating. The top 25 fund of hedge funds managers collectively saw their assets fall 37% to USD 319bn between June 30, 2008, and Dec. 31 of last year, Pensions & Investments reports. Just three of the top 25 firms saw any asset growth at all, and some saw more than half of their assets disappear as investors increasingly shy away from funds of funds and their added layer of fees.

Hedge fund allocations back to 'pre-crisis' level

Pension fund allocations to hedge funds "have returned to pre-crisis levels", according to Mercer, one of world's largest investment consultants. "If you look at the demand this year compared to 2008 and early 2009, there has definitely been an increase," said Robert Howie, a principal at investment consulting firm Mercer, which advises over 2,700 clients with assets in excess of GBP 1.9tn.

Advisors/People News

Unigestion names new hedge fund head

The Swiss asset manager named Man Group's Philippe Gougenheim its new head of hedge funds. Gougenheim was a senior fund of hedge funds portfolio manager. Gougenheim will take up his new post on May 1. Patrick Fenal, CEO of Unigestion, which manages some US\$3.1 billion in hedge fund assets, has managed its fund of hedge funds business since the departure last year of Konstantinos Iordanidis, a former Olympia Capital Management executive who lasted just five months on the job.

Santa Barbara Pension dumps Arden

The Santa Barbara County (Calif.) Employees' Retirement System has canned its only hedge fund manager and will seek a new fund of hedge funds manager after its investment is liquidated this summer. The USD 1.7bn public pension fund is bidding farewell to Arden Asset Management, which manages a USD 30mn fund of funds mandate for SBCERS.

Marcel Herbst joins Weston Capital

Herbst's role will be to lead the global distribution efforts, work on creating strategic partnerships, and oversee the further development of the firm. Herbst spent the previous eight years at Harcourt as managing director of the firm's US presence as well as executive director of the Harcourt Group. Harcourt is joint venture partner with Weston on the Weston Capital Partners Fund III, an incubation fund.

Sciens acquires hedge fund managed account platform from Partners Group

Partners Group AG and Sciens Capital Management announced the sale of 100% of the stock of Partners Group Fund Services Ltd. to Sciens Fund of Funds Management Holdings Ltd. in a cash and earn-out transaction. Partners Group Fund Services Ltd operates a Guernsey-based platform of hedge fund managed accounts which is regulated by the Guernsey Financial Services Commission.

SkyBridge to acquire Citi's fund of hedge funds business

SkyBridge Capital has entered into a definitive agreement to acquire the fund of hedge funds, hedge fund seeding and hedge fund advisory businesses from Citi Alternative Investments, with total investments under management and

advisory of USD 4.2bn. Raymond Nolte, who has led these businesses since 2005, will join SkyBridge as a managing partner and chief investment officer. He brings a team of more than 20 professionals.

New Jersey adds to hedge fund portfolio

New Jersey's public pensions funds will pour USD 1.2bn into alternative investments, a move that will increase their hedge fund exposure by almost a quarter. The New Jersey State Investment Council approved allocations of USD 250mn to funds of hedge funds managed by Goldman Sachs Asset Management and Rock Creek Group; the former now manages USD 597mn for the Garden State, and the latter USD 494mn.

Louisiana pension looks for fund of hedge funds to replace UBP

The USD 375mn Louisiana State Police Retirement System (LSPRS) will look for a new fund of hedge funds manager to replace an existing investment with UBP Asset Management. The pension initially stood by UBP despite the Swiss asset manager's heavy losses from the Madoff fraud, but has now decided to redeem its investment. LSPERS currently has a 5% allocation to two FoHFs: UBP and Gam's US Institutional Diversity Fund.

Illinois commission allocates USD 135mn to hedge funds

The Illinois Student Assistance Commission, Chicago, allocated a total of USD 135mn to three hedge fund managers, its first move in the area. The three are among 13 hedge fund firms approved to run assets of the USD 982mn College Illinois Prepaid Tuition Program fund. Balestra Spectrum and Pinnacle Natural Resources were assigned USD 55mn each, while Neuberger Berman's NB Alternative Investment Management got USD 25mn.

Ivy Asset draws probe over roles with Madoff

Ivy Asset Management, which BNY Mellon Asset Management is closing, is under investigation for advice it allegedly gave related to investing with Bernard Madoff, according to a person familiar with the matter. New York Attorney General Andrew Cuomo's office has been investigating Ivy, a fund manager that places money with hedge funds, for about a year.

Product News

Hilltop launches fund of hedge funds

Independent fund management firm, Hilltop Fund Management, announced the launch of its London-based business and its alternative fund of hedge funds approach. The All Weather Fund, managed by Rory Hills, is a fund of hedge funds designed to deliver consistent, absolute returns in all environments through a portfolio of uncorrelated hedge funds, unconstrained by investment style.

Dubai-Backed fund of hedge funds opens up

Dubai Shariah Asset Management is set to open its year-old fund of hedge funds to outside investors after posting a 41% return last year. The firm, in which the Dubai Multi Commodity Center owns a 51% stake and New Canaan, Conn.-based Shariah Capital, has garnered interest from Islamic banks from around the Persian Gulf region that wish to offer the fund to their wealthy clients.

LGT plans UCITS-compliant fund of futures funds

LGT Capital Partners will launch Britain's first UCITS III-compliant managed futures fund next month. The new vehicle will be a regulation-friendly version of LGT's USD 630mn Crown Managed Futures Fund and will track a UCITS-compliant index. LGT is targeting a 10% annual return for the Crown Management Futures Newcits Fund, which will be managed by George Coplit and his commodity trading adviser and macro team.

Rothschild launches UCITS-compliant fund

Building on the funds of hedge funds expertise it has developed in Paris since 2002, Edmond de Rothschild Investment Managers is now launching Multigest Select Alpha, one of the first coordinated funds of hedge funds which brings together famous hedge fund managers in a UCITS-compliant framework. The investment team selects UCITS-compliant alternative funds based on optimal replication of well known hedge funds which have performed well. These funds manage to replicate or adapt their

alternative strategy to the UCITS framework without losing their substance.

UBP set to launch fund of managed accounts

Union Bancaire Privee (UBP) is readying to launch a fund of managed accounts, as it pursues a major rebranding strategy, designed to draw investors back to its funds of hedge funds business, following a series of problems, including a significant exposure to the USD 50bn Madoff fraud. Using the Swiss bank's traditional Dininvest FoHF branding, the new fund, the UBP Dininvest Access-30, will offer investors monthly liquidity when it launches at the beginning of April. The offering will build a portfolio based on three external managed account platforms.

Altin completes share buyback

Altin has completed the share buyback initiated on 22 July 2009 as part of its buyback programme of up to ten per cent of the share capital. Altin repurchased 248,279 of its shares for a total of CHF 12.7mn corresponding to five per cent of the share capital of Altin. Altin is managed by Alternative Asset Advisors, a management firm specialised in alternative investments and a member of the Syz & Co Group.

Olympia Capital Management launches multi-strategy fund of hedge funds

Olympia Capital Management has launched the Olympia Dynamic Fund, a diversified multi-strategy fund of hedge funds, driven by a dynamic allocation based on risk regimes. Olympia Dynamic Fund uses a flexible core-satellite approach based on a proprietary indicator, the Olympia Risk Indicator. Both the core and the satellite elements of the portfolio are actively managed. The core portfolio is invested in hedge fund trackers and offers tail protection through the ability to momentarily reduce hedge fund exposure. The satellite portfolio is invested in single hedge fund managed accounts with a strategy allocation driven by the risk environment.

Academic/Research

The ABCs of Hedge Funds: Alphas, Betas, & Costs

Chen, Zhu, Ibbotson

Despite the retrenchment of the hedge fund industry in 2008, hedge fund assets under management are currently over one and a half trillion dollars. They analyze the potential biases in reported hedge fund returns, in particular survivor-ship bias and back fill bias. They then decompose the returns into three components: the systematic market exposure (beta), the value added by hedge funds (alpha), and the hedge fund fees (costs). They analyze the performance of a universe of about 8,400 hedge funds from the TASS database from January 1995 through December 2009. Their results indicate that both survivor-ship and back fill biases are potentially serious problems. Adjusting for these biases brings the net return from 14.26% to 7.63% for the equally weighted sample. Over the entire period, this return is slightly lower than the S&P 500 return of 8.04%, but includes a statistically significant positive alpha. They estimate a pre-fee return of 11.42%, which they split into a fee (3.78%), an alpha (3.01%), and a beta return (4.62%). The positive alpha is quite remarkable, since the mutual fund industry in aggregate does not produce alpha net of fees. The year by year results also show that alphas from hedge funds were positive during every year of the last decade, even through the recent financial crisis of 2008 and 2009.

Risk and Beta Anatomy in the Hedge Fund Industry

Savona

Using a Bayesian time-varying beta model, they explore how the systematic risk exposures of hedge funds vary over time conditional on some exogenous variables that managers are assumed to use in changing their trading strategies. In such a setting, they impose a structure on fund returns, betas and benchmark returns, developing a framework that could help explain how expected and unexpected hedge fund returns are correlated with systematic risk factors through the beta dynamics. The major findings of this work, based on the analysis of the CSFB/Tremont indices over the period January 1994-September 2008, are that: (1) volatility, changes in T-bill, term spread and shocks in liquidity significantly impact on the time variation of hedge fund betas; (2) increasing interdependencies in beta dynamics among hedge funds together with leverage levels and shocks in liquidity are the key factors underlying the dynamics of systemic risk; (3) conditional time variation in betas leads to the conclusion that the hedge fund industry did not deliver excess returns over its own style benchmark; (4) replicating the risk/return characteristics of hedge funds through their beta modeling seems to do a good job, also delivering better performances on a risk-adjusted basis.

About Primores

About Primores

Primores is an independent and research driven advisory firm exclusively dedicated to the fund of hedge funds universe.

Through a unique blend of qualitative and quantitative analysis Primores is able to provide investors with the highest quality investment solutions in the fund of hedge funds world.

As a leading specialist Primores offers:

- Advice regarding single fund of hedge funds investments

- Customized Solution for institutional investors (white label, sub advisory)
- PrimFunds: one stop shop solutions

Contact

Would you also like to receive PrimNews each month free to your own email account? Just click [here](#) and sign up for the newsletter. Please include your name, company, country and your profession.

This document is for informational purpose only, and does not represent an offer to acquire any of the funds or other investment vehicles listed or described herein, none of the funds or investment vehicles listed or described herein is or have been recommended by Primores AG. No representations are made by Primores AG about the accuracy or completeness of the data contained herein. Primores AG accepts no responsibility for calculation of the rates of return herein, or for any investment allegedly made on the bases of this document. Primores AG draws readers' attention to the fact that the funds and investment vehicles listed or described herein carry substantial risks and are not suitable for all types of portfolios. Past performance of these funds and investment vehicles is necessarily an indication of future performance. All information in this newsletter is for educational and informational purposes and does not constitute investment, legal, tax or accounting advice.