

Performance Update all data in %

Fund of Hedge Funds Indices	Jul	Jun	YTD	2008	2007	2006	2005
EDHEC Fund of hedge funds Index	1.51	0.24	6.22	-19.73	10.07	11.25	6.80
HFR1 FoHF Composite Index	1.60	0.41	6.95	-21.37	10.25	10.39	7.49
CISDM Fund of hedge funds Index	1.38	0.39	5.68	-17.04	8.68	9.11	6.47
InvestHedge Composite	1.31	0.19	5.06	-16.63	8.90	9.12	6.99
Eurekahedge Fund of hedge funds Index	1.39	0.18	5.55	-19.50	10.36	10.48	7.97
HFN Fund of hedge funds Aggregated Average	1.60	0.18	5.78	-20.01	9.27	9.60	6.81
Barclay / Global HedgeSource Fund of hedge funds Index	1.59	0.18	5.88	-22.18	8.86	9.38	6.91
Average FoHF Indices	1.48	0.25	5.91	-19.49	9.48	9.90	7.06

Investable Hedge Funds Indices	Jul	Jun	YTD	2008	2007	2006	2005
CS/Tremont Investable HF Index	0.95	0.60	3.95	-26.31	7.42	9.65	3.61
HFRX Global Hedge Fund Index	1.59	0.04	7.25	-23.25	4.23	9.26	2.72
RBC Hedge 250 Index	2.06	0.33	12.80	-21.21	8.22	10.62	-
Average Investable HF Indices	1.53	0.32	8.00	-23.59	5.12	8.95	2.98

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

Average FoHF Indices Last Month **1.48**

Average Investable HF Indices Last Month **1.53**

Portfolios of Funds of Hedge Funds	Jul	Jun	YTD	2008	2007	2006	2005
PrimFund Diversified (net of fees)	0.39	0.05	-1.10	-18.19	8.53	9.54	7.78
PrimFund Growth (net of fees)	0.87	-0.28	1.08	-25.08	13.84	13.85	9.38
PrimFund Tactical (net of fees)	0.41	-0.51	1.49	-6.58	13.05	18.87	14.49
PrimFund Opportunity (net of fees)	0.75	0.05	2.43	-35.81	10.30	22.12	17.02

Inception of PrimFund Diversified was July 2004, of PrimFund Growth April 2005, of PrimFund Tactical April 2008, of PrimFund Opportunity September 2006. The simulated data prior reflects the net performance of weighted composite of the targeted fund managers net of fees. All numbers shown are for illustration purpose only and are no guarantee of future performance.

Industry News
Pension schemes seek to create own fund of hedge funds

Pension schemes are seeking to create their own fund of hedge funds, Reuters reports. The pension funds are dropping pre-selected fund of hedge funds in favor of developing their own portfolios, as they want direct control over their investments. Tom Geraghty, business head of investment consulting for Europe, the Middle East and Africa at Mercer, said institutional investors are exploring

single hedge fund strategies. He added that long/short funds and distressed debt products are attracting investors.

IPERS holds off funding fund of hedge funds for another year

The Iowa Public Employees' Retirement System (IPERS) has further delayed funding its chosen funds of hedge funds for at least another year. IPERS, which had a portfolio of assets totaling USD 16.8bn at the end of March 2009, has been holding off on funding Blackstone and JP Morgan since this time last year.

Advisors/People News
Paamco hires veteran investment professional Peter Stein

Pacific Alternative Asset Management Company, a USD 9bn fund of hedge funds company, has hired Peter D. A. Stein to chair its Strategy Allocation Committee, effective 1 August. Based in Irvine, Stein will take on a role in the senior management of the firm. He was previously the chief investment officer at the University of Chicago, responsible for the management of the university's USD 4.9bn endowment and its 20-person investment office.

Ann Arbor retirement system gives fund of hedge funds mandate to Blackrock

The USD 300mn City of Ann Arbor Employees' Retirement System in Michigan has awarded a fund of hedge fund mandate to Blackrock, its first investment in hedge funds. Ann Arbor, which originally delayed funding the mandate due to adverse market conditions and global hedge fund redemptions and closures, allocated USD 10mn to Blackrock Multi Manager Partners in the second quarter of 2009.

Mesirow fund of hedge funds unit names president

Mesirow Advanced Strategies, a unit of Mesirow Financial, has appointed Thomas Macina as its president, P&I reports. He will report to CEO Marty Kaplan. Macina will retain his current role as the head of manager research for MAS. The firm, which manages USD 10bn in fund of hedge funds, has also promoted Mark Kulpins, Brian Portnoy and Eric Siegel.

Horlick keeps up fight for listed fund of funds

Nicola Horlick is not giving up on her listed fund of hedge funds, Bramdean Alternatives. Despite losing a proxy battle with dissident investor Vincent Tchenguiz last month that saw Tchenguiz's candidates take control of Bramdean Alternatives' board, Horlick says investors are not in favor of Tchenguiz's radical solution: shutter the fund of hedge funds and liquidate its holdings. Horlick, whose Bramdean Asset Management remains the fund's manager, said she was seeking an "elegant solution" to allowing Tchenguiz to sell his 29% stake in Bramdean Alternatives, which had 10% of its assets invested with Ponzi schemer Bernard Madoff. But Tchenguiz's Elsin Ltd. said it remains in favor of putting Bramdean Alternatives out to pasture.

Tremont to unload fund of funds' assets at auction

Tremont Group Holdings, one of the biggest losers in the Bernard Madoff Ponzi scheme, will auction off most of its remaining hedge fund assets. Tremont Capital has already returned most of its capital to investors, but its remaining investments are either subject to lock-up periods or are in hedge funds that have restricted redemptions. So instead, Tremont will unload some USD 400mn in assets on the secondary market. While it will mean that investors will likely get less than their investments are worth, it will mean they will get them sooner. Almost half of the holdings to be auctioned (USD 180mn) are set to be sold by October. The rest have already been sold or are awaiting sale.

Product News
Dexion Alpha switch to commodities

Dexion Alpha Strategies, a listed closed-end fund investing in a pool of hedge funds, said that shareholders had voted unanimously in favour of changing the fund's focus to now invest in commodities hedge funds. The fund will be renamed Dexion Commodities Ltd. The net asset value of the continuing portfolio is around GBP 48mn, the company said.

TerraVerde unveils 'Green' fund of hedge funds

While the rate of green- and cleantech-focused hedge fund launches has slowed over the past year, that isn't stopping

one investment manager from getting into the green game. Richard Bookbinder New York-based TerraVerde Capital Management has recently launched a fund of hedge funds that invests in underlying managers focused on the global reduction of carbon emissions, including alternative energy.

Spanish fund of hedge funds Altair Multiestrategia and Cygnus Renaissance shutter

Two funds of hedge funds in Spain have closed, as the country's hedge fund industry continues to struggle. Basque savings bank Kutxagest closed its fund of hedge funds, Altair

Multiestrategia; asset management firm Cygnus closed its fund, Cygnus Renaissance E&F, after massive withdrawals of its assets.

UBP plans managed accounts overhaul

Union Bancaire Privee is planning a major overhaul of its absolute return portfolio, in a move that will see at least 70% of its underlying hedge fund investments turned into highly

liquid managed accounts, HFMWeek can reveal. Despite industry rumours, the bank's managed accounts strategy will not involve the specific creation of segregated UBP vehicles or a UBP managed accounts platform. While other funds of hedge funds are contemplating setting up in-house managed account platforms, UBP managing director Christophe Bernard told HFMWeek that the bank intends to "encourage many of our hedge funds to set up on existing managed account platforms."

Academic/Research

What is the optimal number of managers in a fund of hedge funds?

Gregoriou, Pascalau

This paper investigates the level and the determinants of the optimal number of hedge fund managers in a fund of hedge fund. The paper also analyzes the impact that this level has on the performance and the volatility of returns of the typical fund of hedge funds. Several important findings emerge. First, they find that the number of underlying hedge funds included into a fund of hedge funds has a negative and significant impact on the volatility of returns but less of an impact on the actual returns. However, by properly classifying the fund of hedge funds into several larger categories of interest, they find evidence that the fund of

hedge funds having between 6 and 10 hedge fund managers perform the best. On average this group of fund of hedge funds has assets under management of around USD 200mn. Second, further evidence shows that there is a positive relationship between the size of the fund of hedge funds portfolio and the lifetime of the fund. Third, several factors that influence the number of hedge funds managers into a fund of hedge funds include, but are not limited to the amount of leverage, the redemption frequency, the size of the fund, the total number of assets managed by the fund of hedge funds manager, whether the fund issues a K-1 schedule for tax purposes, the currency in which the fund trades, the geographical focus, and the strategy pursued.

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

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