

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	Dec	Nov	YTD	2008	2007	2006	2005
EDHEC Fund of hedge funds Index	0.70	0.82	10.71	-19.73	10.07	11.25	6.80
HFRI FoHF Composite Index	0.90	0.78	11.55	-21.37	10.25	10.39	7.49
CISDM Fund of hedge funds Index	0.91	0.82	10.34	-17.04	8.68	9.11	6.47
InvestHedge Composite	0.70	0.79	9.26	-16.63	8.90	9.12	6.99
Eurekahedge Fund of hedge funds Index	0.70	0.84	9.82	-19.79	10.36	10.48	7.97
HFN Fund of hedge funds Aggregated Average	0.62	0.78	9.63	-19.97	9.27	9.60	6.81
Barclay / Global HedgeSource Fund of hedge funds Index	0.81	0.76	10.22	-22.18	8.86	9.38	6.91
Hedgagate Swiss FoHF Index USD	-	0.89	8.15	-19.85	10.98	9.82	8.11
Average FoHF Indices	0.76	0.81	10.22	-19.57	9.67	9.89	7.19

Investable Hedge Funds Indices	Dec	Nov	YTD	2008	2007	2006	2005
CS/Tremont Investable HF Index	2.95	3.25	16.62	-26.31	7.42	9.65	3.61
HFRX Global Hedge Fund Index	0.55	1.66	13.40	-23.25	4.23	9.26	2.72
RBC Hedge 250 Index	0.68	0.93	19.19	-21.21	8.22	10.62	-
Average Investable HF Indices	1.39	1.95	16.40	-23.59	6.62	9.84	3.17

Investable Hedge Funds Indices	Dec	Nov	YTD	2008	2007	2006	2005
Replication Indices	0.00	1.10	9.06	-13.80	8.10	13.30	7.80

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

Average FoHF Indices Last Month **0.76**
Average Investable HF Indices Last Month **1.39**
Industry News
Funds of hedge funds like long/short equity, macro for 2010

Long/short equity and macro hedge funds are poised for a big year in 2010, if fund of hedge funds managers are to be believed. Funds of funds are increasing their investments in hedge funds investing in currencies, commodities and equities, Reuters reports, as they back away from this year's big returners, credit and distressed funds.

Hedge-fund assets rose by USD 4.6bn in December

Hedge-fund assets grew by USD 4.6bn in December in the eighth straight month of capital growth as investor confidence recovers along with global markets, according to Eurekahedge Pte. Net inflows totaled USD 600mn in December, while performance-based gains were USD 4bn, the Singapore-based research firm said in a report. Assets under management totaled USD 1.48tn at year's end, it said.

Advisors/People News
Penjing Asset ties up with triple A for seed fund

Penjing Asset Management said on Tuesday it had entered into a joint venture with Asia Alternative Asset Partners

(Triple A Partners) to raise investment capital for start-up hedge funds. Penjing's existing seed fund will be renamed Penjing Triple A Partners Emerging Managers Fund with Triple A Partners climbing on board as a co-investment

adviser to the fund. Penjing, with USD 500mn in assets under management, will be in charge of sourcing and selecting managers and managing the fund, while Triple A Partners will market the vehicle and take on joint responsibility for sourcing and structuring new deals. The two firms will target to raise a minimum of USD 100mn for the fund, said Hans Tiedemann, chairman of Triple A Partners.

Quant fund of hedge funds FQS hires Daniel O'Connor as head of Investor Relations

Daniel D. O'Connor joined Frey Quantitative Strategies (FQS) as new Head of North American Development & Investor Relations, and is based in Frey's NY offices. Mr. O'Connor has over thirteen years investment industry experience, and has worked with institutional and high net worth investors regarding hedge fund and other alternative investment allocations since 2004. Prior to joining FQS, he was a Senior Managing Director for Sales with Asset Alliance, a New York-based multi-faceted investment management firm specializing in alternative investment management - specifically hedge funds and hedge fund products.

Funds of hedge funds help swing Legg Mason to profit

Legg Mason is back in the black, with an assist from its fund of hedge funds unit. The Baltimore-based money management giant recorded a \$44.9 million profit in the fourth quarter. In the year-earlier period, Legg took a \$1.49 billion loss. The firm's revenue rose 5% to \$690 million, buoyed by stronger performance—and the consequent stronger performance fee income—from Permal, its fund of funds unit.

Ivy Asset's Simon leaves as firm overhauls ranks

The chief executive of one of the oldest funds of hedge funds, New York-based Ivy Asset Management, has stepped down, ending his involvement in the firm founded 25 years ago by his father. Sean Simon, son of Ivy founder Lawrence Simon, is departing amid a round of restructuring that will see the firm integrated more closely with its parent, BNY Mellon Asset Management, a unit of Bank of New.

Harvard picks new CIO to oversee risk

Harvard Management Co., which runs Harvard's USD 26bn endowment—the nation's largest—has named Neil Mason chief risk officer. Mason joins from FRM Capital Advisors (FCA), the hedge fund seeding division of fund of hedge funds firm Financial Risk Management. Before moving to FCA, Mason was CEO at BlueCrest Capital Management.

Alexander Ineichen joins Prime Capital

Alexander Ineichen will be joining Prime Capital, a provider of integrated asset management and investment banking services. In this role, Ineichen will be responsible for research and product development within satellite-investments. The focus is mainly alternative investments and absolute return strategies, areas in which Ineichen has acquired a prominent name in the industry, as well as raw materials, energy and credit.

SAIL to launch up to USD 300mn distressed fund in Q1

SAIL Advisors, the Hong Kong-based fund of hedge funds, aims to raise USD 200mn to USD 300mn for a distressed asset fund which will likely launch in the first quarter of 2010. "As a strategy it was not popular in 2009 as investors were still focused on liquidity but there are lots of longer-term, 2-3 year, investment opportunities out there," Vincent Duhamel, CEO of SAIL Advisors, told Reuters.

Gottex to take over investment management of Constellar fund of hedge funds

Gottex Fund Management Holdings Limited today announces the integration of the Constellar fund of hedge funds into the Gottex product range. Ted Wong, founder and CEO of Constellar Capital LLC, will join Gottex. Gottex will take over the investment management of the three Constellar funds of hedge funds: the broadly diversified Gemini Funds and the Constellar Asia Fund. These funds had approximately USD 150mn in assets under management.

Product News

GLG MMI appoints BNY Mellon for fund administration

BNY Mellon has been appointed by GLG MMI, the fund of hedge fund division at GLG Partners, as custodian and fund administrator for its entire fund of hedge fund business. The company previously shared the business with another provider. BNY Mellon's approach to fund of hedge funds and the integration of its technology allows hedge fund managers to focus on their core competency of managing money.

80% of largest fund of hedge funds plan UCITS vehicles

UCITS III funds are gaining favor among investors, and fund of funds firms are taking notice. According to a recent survey of the 30 largest funds of hedge fund managers, 80% of them intend to enter the UCITS space in 2010. The survey—

conducted by London-based investment boutique KDK Asset Management—highlights that there is substantial demand for fund of hedge fund strategies offered as UCITS from different types of investors. It also shows that the current investment universe is considered not deep enough and its quality not necessarily high enough to adequately satisfy these requests.

Thames River launches Ucits fund of hedge fund

Thames River Capital has launched an Ucits III absolute return fund of funds with GBP 47mn already raised. The Thames River Absolute Return Fund will be managed by alternatives specialist Ken Kinsey-Quick and assistant fund manager James Rous. The fund will invest on a global basis, across multiple asset classes with a bias towards more liquid asset classes and the developed world.

Academic/Research

A comparison of quantitative and qualitative hedge funds

Ludwig B. Chincarini

In the last 20 years, the amount of assets managed by quantitative and qualitative hedge funds have grown dramatically. They examine the difference between quantitative and qualitative hedge funds in a variety of ways, including management differences and performance differences. They find that both quantitative and qualitative hedge funds have positive risk-adjusted returns. They also find that overall, quantitative hedge funds as a group have higher alphas than qualitative hedge funds. The outperformance might be as high as 72 bps per year when considering all risk factors. They also suggest that this additional performance may be due to better timing ability.

Can hedge funds time market liquidity?

Chen, Liang, Lo, Co

This paper examines how hedge funds manage their liquidity risk by responding to the aggregate liquidity shock. Using a large sample of hedge funds over the period of 1994-2008, the authors find strong evidence that hedge fund managers

possess liquidity timing ability at both investment strategy level and the individual fund level. They increase (decrease) their portfolios' market exposure when the equity market liquidity is high (low). More importantly, the liquidity timing evidence is particularly significant among funds with illiquid holdings. In contrast, hedge fund managers who hold liquid assets tend to react to past liquidity conditions strongly. The liquidity timing ability is also asymmetric, depending on market liquidity conditions: it is more pronounced when the market liquidity is low than when it is high. Their results are robust even after we control for return- and volatility-timing abilities.

Evidence for hedge fund predictability from a multivariate student-T full-factor GARCH model

Ioannis D. Vrontos

Extending previous work on hedge fund return predictability, this paper introduces the idea of modelling the conditional distribution of hedge fund returns using Student-t full-factor multivariate GARCH models. This class of models takes into account the stylized facts of hedge fund return series, that is heteroskedasticity, fat tails and

deviations from normality. For the proposed class of multivariate predictive regression models, they derive analytic expressions for the score and the Hessian matrix, which can be used within classical and Bayesian inferential procedures to estimate the model parameters, as well as to compare different predictive regression models. They propose a Bayesian approach to model comparison which

provides posterior probabilities for various predictive models that can be used for model averaging. Their empirical application indicates that accounting for fat tails and time-varying covariances/correlations provides a more appropriate modelling approach of the underlying dynamics of financial series and improves their ability to predict hedge fund returns.

About Primores

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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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