

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	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	1.99	-0.09	5.15	10.67	-19.72	10.07	11.25
HFRI FoHF Composite Index	2.09	-0.10	5.60	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index	-	0.00	4.15	10.34	-17.05	8.68	9.11
InvestHedge Composite	1.97	0.00	5.00	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	2.13	-0.14	4.65	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	2.08	-0.11	4.99	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	1.74	-0.04	4.53	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD	-	-0.27	2.30	8.61	-19.84	10.99	9.81
UCITS Alternative Index Fund of Funds	0.60	-0.14	-0.33	1.65	-12.01	-	-
Greenwich Global Fund of hedge funds Index	1.50	-0.06	4.88	12.17	-21.77	9.58	9.50
Average FoHF Indices	1.76	-0.10	4.09	9.37	-19.08	9.66	9.85

Investable Hedge Funds Indices	Dec	Nov	YTD	2009	2008	2007	2006
CS/Tremont Blue Chip Index	3.39	-1.10	16.03	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	2.36	-0.27	5.19	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	2.25	0.27	6.42	19.25	-21.21	8.22	10.62
Greenwich Investable Strategy Indices	1.88	-0.57	3.12	4.28	-18.06	3.20	10.71
Average Investable HF Indices	2.47	-0.42	7.69	13.58	-22.21	5.77	10.06

Replication Indices	Dec	Nov	YTD	2009	2008	2007	2006
Hedge Fund Replication Index	1.40	-0.60	3.97	9.06	-13.80	8.10	13.30

Average FoHF Indices Last Month 1.76
Average Investable HF Indices Last Month 2.47
Industry News
Hedge funds assets cross USD 1.6trn - Eurekahedge

December 2010 was the 6th consecutive month of positive returns for hedge funds, with the Eurekahedge Hedge Fund Index up 3.01% in the month. Hedge funds posted double-digit growth in 2010, up 10.93%, and outperformed underlying markets by 3.10%. The global hedge fund industry grew by USD 34.1bn in December - total asset growth for the year stood at USD 186.6bn. This brings the total assets in the industry to USD 1.67tn which is on track to cross the historical high of USD 1.95tn by end of 2011. North America was the best performing hedge fund region in 2010, up 13.33% for the year, and assets in North American hedge

funds crossed USD 1.1tn (67% of the total industry) for the first time since September 2008. Japanese hedge funds posted their best annual returns in 5 years, up 8.43% in 2010, and crossed USD 15bn for the first time since 2008. The Latin American hedge fund industry reaches a historical high of almost USD 60bn (Asia first reached 60bn in 2004 and went on to peak at USD 176bn 3 years later). All regional and strategic hedge fund indices in the Eurekahedge index suite delivered positive returns for the second year running. Distressed debt was the best performing strategy in 2010 and finished the year with gains of 20.78%. More than 50% of total asset flows in 2010 went to long/short equity funds, which constitute 31.2% of the total industry.

Advisors/People News

TA Assoc takes stake in Evanston Capital - Finalalternatives

Private equity firm TA Associates has taken a minority stake in fund of hedge funds firm Evanston Capital Management. Financial terms of the transaction were not disclosed in a statement about the investment. Illinois-based Evanston Capital was founded in 2002 by David Wagner, the former CEO of Northwestern University. As of December 31st, the firm had approximately USD 4.2bn in assets under management. Evanston Capital's management team will remain in place, including Wagner, who is the firm's chief executive officer. TA Associates principal James Hart, who will join the fund of hedge funds board, described Evanston Capital as "having an attractive investor base of more than 400 investors." The Boston-headquartered private equity firm has a long history of investing in investment management companies, having invested in 13 firms over the last 22 years. Current TA investments in the sector include First Eagle Investment Management, Jupiter Fund Management, K2 Advisors and Numeric Investors. TA Associates manages more than USD 16bn in capital.

Abbey Capital welcomes appointment of David McCarthy as non- Executive Director - Abbey

Abbey Capital is delighted to announce the appointment of Mr David McCarthy as a non-Executive Director. David is a prominent figure in the alternative investment business with a distinguished track record of investment management since 1977. David has extensive experience in the managed futures industry and is a respected educator and commentator on the industry. Most recently he served as Chief Investment Officer of Absolute Return Strategies with Sciens Capital Management in New York. In 2002 David co-founded Martello Investment Management L.P, a specialist

fund of funds and advisory firm concentrating on absolute return hedge fund strategies including global macro and CTA strategies. From 1994 to 2000, David was an Investment Manager for Global Asset Management (GAM) where he managed GAM's trading funds of funds.

Former Duquesne manager to join Blackstone - Pensions & Investments

Pensions & Investments: Greg Geiling will join Blackstone Alternative Asset Management on January 3rd as a managing director, J. Tomilson Hill, president and CEO, confirmed in an interview. The position is new at the USD 33.1bn fund of hedge funds manager. Mr. Geiling will focus on research into opportunistic investments and will coordinate the flow of investment ideas from other Blackstone Group alternative investment units, subject to stringent internal controls, Mr. Hill said.

Fund of hedge funds manager Hermes BPK comes up with new performance fee model - Top 1'00 funds

Hermes BPK, the fund of hedge funds provider majority-owned by Hermes Fund Managers, has completed work on an innovative performance fee model which will allow investors to clawback any unearned performance fees. The new fee structure, which applies to the fund of hedge funds fees and not to the fees charged by underlying managers, is such that the fee in any one period is taken but the performance needs to be maintained for the manager to keep the fee. If the performance is below the watermark over three years, then the client gets the fee back on the part of the performance they have not received. The model is administratively complex and required considerable cooperation by the fund's administrator, Northern Trust.

Product News

CDB Capital to launch USD 9bn PE, venture capital fund - Reuters

CDB Capital, a unit of China Development Bank said that it will launch a RMB 60bn (USD 9bn) fund of funds to support

the country's fledgling private equity and venture capital firms. The fund of funds, the first of its kind set up by a state-owned entity, would include RMB 40bn for private equity and RMB 20bn for venture capital, they said.

Antarctica launches European domiciled global macro fund of hedge funds - Antarctica

Antarctica Asset Management, a leading alternatives investment advisor has announced the launch on January 1st 2011, of the Antarctica Global Macro Fund Plc, the latest addition to its range of fund of hedge funds. Conceived to target present imbalances between global economies, the Antarctica Global Macro Fund Plc addresses a number of current investor concerns surrounding absolute returns and liquidity. Global Macro was one of only two strategies in the HFRI index to post positive returns during the crisis of 2008 and is one of the most liquid hedge fund strategies, allowing AGMF to provide investors with monthly liquidity.

Peak Partners to launch hybrid emerging markets fund of hedge funds next month - Peak Partners

Peak Partners will launch of a hybrid fund of hedge funds called Granite Emerging Market Fund of Funds. It will be launched on February 1st with USD 10mn from outside investors. The fund wants to profit from opportunities in the emerging markets, which have lower debt to GDP than developed economies - hence the former's huge growth potential while the latter struggle to pay back their debt.

Peak's new fund of hedge funds will focus on dynamic top down allocation. It will be structured as a SIF, domiciled in Luxembourg, and have various currency classes. Its parameters will be to invest 35% to 65% in long-only funds and ETFs, and 35% to 65% in hedge fund platforms. The targeted return is 14% to 18% p.a., with a volatility of no more than 18%, and the fees will be 1.5% for management and 10% for performance with a high watermark.

Attucks debuts fund of hedge funds family - Pension & Investments

Attucks Asset Management, a specialist in emerging, minority- and woman-owned investment, is launching its first fund of hedge funds family. The first of the new Revolution Funds will replicate the multi-strategy fund of hedge funds portfolio that Attucks has run for five years in a USD 6mn separate account for a single institutional client, Leslie F. Bond Jr., managing director and CEO, said in an interview. He declined to identify the client. Attucks' portfolio managers will create both commingled and customized managed accounts for institutional investors using the multi-strategy approach and will, in time, offer single strategy funds, such as long/short equity and global macro.

Academic/Research

Protection Potential of Commodity Hedge Funds

Jeanneret, Monnin, Scholz

In this article, the authors show that investing in a portfolio of commodity hedge funds yields higher returns and a better control of downside risk than investing in long-only commodity indices. They also show that, contrary to a widespread belief, long-only commodity indices do not necessarily provide an efficient inflation hedge during periods of high inflation and may induce a cost in low inflation periods. Commodity hedge funds do not provide a better hedge in periods of high inflation but they do not bear any cost in low inflation periods.

Can factor timing explain hedge fund alpha? Park

Hedge funds are in a better position than mutual funds in timing systematic risk factors because they are less regulated

and thus have more freedom to use leverage and short sales. To examine whether factor timing is a source of hedge fund alpha, this paper decomposes excess return generated by hedge funds during 1994- 2008 into security selection, factor timing, and risk premium using the new measure of performance developed by Lo (2008). Park finds that security selection on average explains most of the excess return generated by hedge funds, and the contributions of factor timing and risk premium are trivial. In the U.S. equity market, hedge funds on average show negative timing ability especially in recent years that include the financial crisis period of 2007-08.

Speculators, prices and market volatility

Brunetti, Buyuksahin, Harris

They employ data over 2005-2009 which uniquely identifies categories of traders to test whether speculators like hedge

funds and swap dealers cause price changes or volatility. They find little evidence that speculators destabilize financial markets. To the contrary, speculative trading activity largely reacts to market conditions and reduces volatility levels, consistent with the hypothesis that speculators provide valuable liquidity to the market. These results hold across a variety of products and suggest that hedge funds improve overall market quality.

Hedge fund clones are still to count on

Tuchs Schmid, Wallerstein, Zaker

Hopes were high some years ago that hedge fund replication products would be for hedge fund investments something

akin to what index funds have been to equity investments. Hedge fund replication products were to provide a low-cost, liquid exposure to hedge fund returns. Around one year ago, Wallerstein, Tuchs Schmid, and Zaker (2010), analysed the performance of, at the time, the most exhaustive dataset of replication products. This article will bring a brief updated evaluation on an extended dataset with 22 hedge fund replication products.

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:

- Selection and monitoring of funds of hedge funds to achieve optimal results within your overall portfolio.
- Single recommendation of fund of hedge funds to cover a specific strategy (e.g. commodity) or another specialization.

- Optimize the fee structure of your existing fund of hedge funds investments.
- Develop, document and manage a matrix of funds of hedge funds to provide your clients a range of investment opportunities.

Contact

Would you also like to receive PrimNews each month to your own email account? Just click [here](#) and sign up for the newsletter. Payment can be made by credit card.

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.