

Performance Update all data in %

Fund of Hedge Funds Indices	June	May	YTD	2007	2006	2005	2004
EDHEC Fund of Funds Index	-0.78	1.72	-2.09	10.07	11.25	6.80	7.07
HFRI FoHF Composite Index	-0.95	1.75	-2.54	10.26	10.39	7.49	6.86
CISDM Fund of Funds Index	-	1.61	-1.13	8.68	9.11	6.47	7.12
InvestHedge Composite	-	1.58	-1.07	8.68	8.67	7.07	6.15
Altvest Sub-Index: Fund of Funds	-0.72	1.68	-2.03	8.63	10.24	7.68	7.39
Eurekahedge Fund of Funds Index	-0.71	1.65	-2.24	10.21	10.38	7.92	7.00
HFN Fund of Funds Aggregated Average	-0.66	1.66	-2.08	9.27	9.60	6.81	6.89
Barclay / Global HedgeSource FoF Index	-0.73	1.68	-2.55	8.86	9.38	6.91	6.65
Average FoHF Indices	-0.76	1.67	-2.26	9.33	9.88	7.14	6.89

Investable Hedge Funds Indices	June	May	YTD	2007	2006	2005	2004
CS/Tremont Investable HF Index	-1.12	1.89	-0.97	7.42	9.65	3.61	5.31
DJ Hedge Fund Balanced Portfolio Index	-0.57	1.47	-1.75	7.54	9.94	1.60	-
MSCI Hedge Fund Invest Index	-0.92	0.70	-3.61	3.61	7.63	4.68	3.10
HFRX Global Hedge Fund Index	-0.83	1.44	-1.03	4.23	9.26	2.72	2.69
FTSE Hedge Index	-2.01	0.51	-6.71	0.62	6.28	2.60	3.12
Average Investable HF Indices	-1.09	1.20	-2.81	4.68	8.55	3.04	3.56

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

Average FoHF Indices Current Month **-0.76%**

Average Investable HF Indices Current Month **-1.09%**

Portfolios of Funds of Hedge Funds	June	May	YTD	2007	2006	2005	2004
PrimFund Diversified (net of fees)	0.63	1.52	0.56	8.53	9.54	7.78	8.39
PrimFund Growth (net of fees)	-0.36	1.52	-2.53	13.84	13.85	9.38	15.69
PrimFund Opportunity (net of fees)	-0.95	2.32	-7.52	10.30	22.12	17.02	17.13
PrimFund Tactical (net of fees)	1.15	1.78	4.95	13.05	18.87	14.49	-

Inception of PrimFund Diversified was July 2004, of PrimFund Growth April 2005, of PrimFund Opportunity September 2006, of PrimFund Tactical April 2008. 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
In tough markets, hedge fund managers increase cash, reduce leverage

Hedge fund managers around the world responded to last year's difficult market conditions by lowering leverage ratios and moving a significant share of their assets into cash, according to the results of a new study by Greenwich Associates and Global Custodian. The study results reveal that the proportion of hedge fund managers earning double-digit investment returns dropped dramatically from 2006 to 2007, with the biggest falloff occurring among funds focused on fixed income. With industry-

wide performance on the decline, the hedge funds participating in this year's study reported holding a full 15% of their total assets under management in cash at the beginning of 2008? In particular, the global credit crisis has taken a heavy toll on hedge funds focused on fixed income. About two-thirds of funds investing at least half of their assets in fixed-income related strategies generated returns better than 10% in calendar year 2006; in 2007 that share plunged to 43%. Over the same period, the share of these funds reporting returns of 5-10% increased to 30% from 22%, and the proportion with returns of 0-5% increased to 19% from 11%. Although equity-oriented

funds as a group fared better than their counterparts in fixed income, many saw significant declines in performance. The share of equity-focused funds reporting returns in excess of 10% dropped to 55% for 2007 from 63% for 2006. On a geographic basis, the only region in which hedge funds as a group seemed to maintain their performance levels from 2006 to 2007 was Asia-Pacific, in which the share of managers reporting returns of more than 10% actually increased, if only slightly, to 63% from 62%. The United States saw the biggest downward shift, with the proportion of U.S. hedge funds exceeding 10% in annual performance dropping to 53% for 2007 from 64% for 2006, while the proportion reporting negative returns jumped to 10% from just 4%. Performance appears weakest for European-based funds, with just 46% reporting double-digit returns for 2007, down from 53%.

New hedge fund launches total record USD 19.5bn

The Absolute Return New Funds Survey shows that new hedge fund launches this year in the Americas totaled USD 19.5bn, with the top five funds amassing USD 13.7bn, for more than 70% of the total. The number of fund launches is down 50% from last year, highlighting the growing barriers to entry for start-up managers and indicating that large capital flows are continuing to go to established, brand-name firms. According to Absolute Return, 35 new funds began trading with a total of USD 19.5bn between January 1 and June 30, 2008. That's

significantly more capital than in the same period in 2007, when 72 new funds launched with USD 14bn. This year, five funds were formed with more than USD 1bn each, in contrast to three funds that managed to surpass the billion-dollar mark in last year's first half. Long/short equity funds dominated, followed by funds that invest in mortgaged-backed securities and those pursuing distressed strategies. Top Ten Hedge Fund Launches: Goldman Sachs, GS Investment Partners, 7bn, Conatus Capital Management, Conatus Capital Partners, 2.3bn, Lone Pine Capital, Lone Dragon Pine, 1.8bn, Highliner Investment Group, Ayes ka Fund, 1.5bn, Goldman Sachs, Goldman Mortgage Credit Opportunities, 1.1bn, SIR Capital Management, Standard Investment Research Hedge Equity Master Fund, 0.7bn, Bellman Walter Capital, Bellman Walter Global Fund, 0.65bn, KnightHead Capital Management, Knighthead Master Fund, 0.5bn, Obrem Capital Management, Obrem Capital, 0.5bn, One William Street Capital, One William Street Capital Master Fund, 0.5bn.

Investors pull USD 1.1bn from hedge funds

Hedge funds recorded net outflows of USD 1.1bn for the first five months of the year as investors pulled money from a variety of strategies with equity-focused funds topping the list. Equity hedge funds were hard hit by the downturn in the equity markets for the first half of 2008.

Advisors/People News

Ramius fund of funds group names Vikas Kapoor managing director and head of risk management

Ramius Fund of Funds Group LLC, announced that Vikas Kapoor, a former Managing Director at Arden Asset Management, has joined the Firm as a Managing Director and Head of Risk Management, effective June 23, 2008. Mr. Kapoor will also be a member of the Fund of Funds Group's Investment Management Committee.

Corbin Capital appoints director of consultant relations

Corbin Capital Partners, L.P., a New York-based hedge fund of funds firm with over USD 4bn in assets under

management, announced that Steven Butler will join the firm as Director of Consultant Relations. Mr. Butler joins Corbin from Evercore Asset Management, where he served as Managing Director of Institutional Sales and Consultant Relations.

Permal FX fund of hedge funds changes name to Permal Macro Holdings

Permal Group said that its USD 10.3bn Permal FX, Financials & Futures Ltd fund of hedge funds has changed its name to Permal Macro Holdings Ltd. The firm said the will not impact the fund's current strategy and focus.

Ermitage appoints former Lighthouse man Eichner head of relative value strategies

Ermitage has appointed Daniel Eichner head of relative value strategies. Eichner joins from a rival U.S.-based fund of hedge funds, Lighthouse, where he was head of credit. Eichner will focus on manager research and selection for Ermitage's asset selection and event-driven funds, as well as several of the Group's multi-strategy and customized portfolios.

FRM hires Au King-lun to head Hong Kong fund of hedge funds business

Financial Risk Management ('FRM'), announced that it has hired Au King-lun, MH, PhD as Chief Executive Officer of FRM Hong Kong Limited. Dr. Au will lead FRM's business efforts in Asia ex Japan and Korea, and will also head FRM's newly-opened Hong Kong office. Dr. Au will join FRM in September from HSBC, where he has been working for the past 11 years.

Product News

Pamplona Capital Management to launch Credit Opportunity Fund

Pamplona Capital Management announced that Yves Leysen is joining as a Partner with the responsibility of managing the Pamplona Credit Opportunity Fund ("PCO"). PCO is a multi-strategy credit opportunity fund to be launched in September this year with USD 250mn of committed capital. PCO will have an initial focus on corporate and asset backed credits and a longer term interest in the distressed debt market. Yves Leysen joins Pamplona from Bear Stearns where he was Head of Fixed Income in Europe. He brings with him a team of professionals from Bear Stearns, including Sheil Aggarwal, who ran European CLO and mortgage trading and Joseph Pigott who co-headed Bear's leveraged loan warehouse and proprietary trading activities in Europe.

Wittenham Investment Management launches MENA Plus Fund advised by GFIA

Wittenham Investment Management announced the launch of the MENA Plus Fund advised by GFIA, Asia's longest-established hedge fund research company. Wittenham MENA Plus Fund is a fund of funds which will invest in a diversified portfolio of hedged and nonbenchmark managers, into the frontier capital markets primarily of the Middle East, Sub-Sahara and North Africa, and the former Soviet markets. There will be an initial focus on the Gulf region. The fund offers exposure to rapidly growing economies that currently are substantially decoupled from the world's developed economies. By investing with absolute return and hedged managers it should exhibit less volatility and greater downside protection than a conventional long-only product. All of the underlying managers target absolute

returns, and most are physically based in their respective regions.

Olympia Capital Management launches the Olympia Energy Fund

Olympia Capital Management launched the Olympia Energy Fund, a diversified multi-strategy energy related fund of hedge funds with an initial investment of USD 50mn provided by a leading international energy company. The Cayman registered Olympia Energy Fund seeks to exploit the energy commodity market inefficiencies in order to generate absolute returns. This product is dedicated to long-term capital appreciation and will allocate to hedge funds investing in all the components of the energy and energy related markets employing CTA, global macro, long/short, equity market neutral and physical trading strategies.

Former Duke Endowment investment manager Perry co founds Stonehorse

Jared Perry, former investment manager at Duke University's endowment, has co-founded Boston firm Stonehorse Capital Management, which will launch its maiden fund of hedge funds Aug. 1. Stonehorse Capital Fund will focus on emerging managers that either have less than USD 500mn in assets or a track record of less than three years.

Harcourt launched Belmont (Lux) ABL Fund

Harcourt Investment Consulting AG (Harcourt) announced the launch of Belmont (Lux) Asset Based Lending, a fund of funds invested in pure ABL strategies. The Fund has been developed in close cooperation with

IST Investmentstiftung für Personalvorsorge to cover the needs of a conservative institutional client segment, such as pension funds, by applying strict investment guidelines for the underlying funds.

THL Capital prepares two new fund of hedge funds

Thomas H. Lee Capital, the New York-based alternative investment shop run by buy-out expert Thomas H. Lee, is prepping two new fund of hedge funds, one of which is set

to be unveiled by fall. The first new fund, Lee Absolute Return Strategies Ltd, will debut in the third quarter and mirror the strategy of the firm's flagship fund of hedge funds, Blue Star I, but without utilising leverage. The second fund of hedge funds, which is yet to be named, will also follow Blue Star's strategy, though it will offer one-times leverage, and is expected to launch in the first quarter of next year.

Academic/Research

Fund liquidation, self-selection, and look-ahead bias in the hedge fund industry

J. Ter Horst, M. Verbeek

A wide range of empirical biases hampers hedge fund databases. In this paper they focus upon survival-related biases and disentangle look-ahead biases due to self-selection of funds and due to fund termination. Self-selection arises because funds voluntarily report their information to data vendors and may decide to stop doing so. By extending existing methodology, they analyze persistence in hedge fund performance over the period 1994-2000, taking into account the above biases. The results show that look-ahead biases due to liquidation and self-selection enforce each other and may lead to overestimating expected returns by as much as 8% per year. Overall, the results are consistent with positive persistence in hedge fund returns at horizons of two and four quarters.

L-Performance with an application to hedge funds

C. Gourieroux, J. Jasiak, S. Darolles

This paper introduces a new fund performance measure, called the L-performance. It is proposed as an alternative to the Sharpe performance measure that is commonly used for fund performance valuation despite its inability to account for skewness and thick tails of fund return distributions. The L-performance improves upon the Sharpe measure in this respect. Technically, the L-performance is based on sample statistics, called L-moments, which are conceptually close to the conventional power moments, but provide more detailed information about the extremes. For this reason, the L-moments are used for prediction and assessment of extreme events, such as floods and earthquakes. In this paper, the new L-performance measure is calculated for a variety of hedge funds and is used to derive a fund ranking.

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