

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	June	May	YTD	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	-0.82	-2.72	-1.26	10.67	-19.73	10.07	11.25
HFR1 FoHF Composite Index	-1.08	-2.64	-1.43	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index		-2.49	0.10	10.34	-17.04	8.68	9.11
InvestHedge Composite	-0.82	-2.38	-0.93	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	-0.13	-2.52	-0.55	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	1.46	-2.56	1.08	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	-0.78	-2.81	-1.37	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD		-2.98	-1.17	8.61	-19.84	10.99	9.81
<b>Average FoHF Indices</b>	<b>-0.36</b>	<b>-2.64</b>	<b>-0.62</b>	<b>10.18</b>	<b>-19.63</b>	<b>9.67</b>	<b>9.89</b>

  

Investable Hedge Funds Indices	June	May	YTD	2009	2008	2007	2006
CS/Tremont Blue Chip Index	-0.13	-3.19	4.93	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	-0.94	-2.64	-1.20	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	-0.99	-2.33	-0.60	19.25	-21.21	8.22	10.62
<b>Average Investable HF Indices</b>	<b>-0.69</b>	<b>-2.72</b>	<b>1.04</b>	<b>16.68</b>	<b>-23.59</b>	<b>6.62</b>	<b>9.84</b>

  

Replication Indices	June	May	YTD	2009	2008	2007	2006
Hedge Fund Replication Index	0.20	-2.50	-1.64	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 **-0.36**

Average Investable HF Indices Last Month **-0.69**

Industry News

**Fund of hedge funds indices are better suited for investors due to smaller biases**

Swiss school ZHAW's Center for Alternative Investments and Risk Management has recently published a working paper investigating the appropriateness of several hedge fund indices for investors. ZHAW School of Management and Law's newsletter said in its latest issue on 30 June: "We concluded that fund of hedge funds indices suit best due to smaller biases. Although we are quite aware of lower returns in fund of hedge funds indices compared to single hedge fund indices (due to various reasons), the difference for the year 2009 (8.5%) seems unusually large to many investors."

**Pensions alternative allocations threefolds**

Pension funds allocate almost three times as much money to alternative assets today than they did 10 years ago, a new study shows. But the Towers Watson report shows that real-

estate funds remain the major "alternative asset" held by pensions, although hedge funds and private equity funds continue to make inroads. Alternative assets now make up 17% of all global pension fund assets, up from 6% at the turn of the millennium. And while real-estate funds still account for 52% of that total, that's down from 58% just two years ago. Funds of private equity funds are the second-largest investment for pensions, with 21%, up from 20% two years ago. Funds of hedge funds came in third, at 13%, the same as in 2008.

**Eurekahedge launches UCITS hedge fund database**

Eurekahedge launched its new UCITS hedge fund database and index, covering 600 funds and representing more than USD 100bn in assets. According to the latest data by Eurekahedge as of June 2010, overall assets in UCITS hedge funds edged up by nearly 15% since the start of the year to

peak at nearly USD 100bn with 980 funds globally. 2009 returns stand at 21.77%, with 170 launches seen in the year.

### **UCITS hedge fund AuM grew 19% in second quarter of 2010**

The number of UCITS III hedge funds continued to grow during Q2 2010 reaching close to 500 single manager funds and more than 40 funds of hedge funds, an increase of 19% and 40% respectively. In term of assets under management, the second quarter saw a rise of EUR 13bn for single manager funds and EUR 0.8bn for funds of hedge funds or respectively 19% and 50% in percentage terms.

## Advisors/People News

### **FourWinds Capital acquires Cole Partners' fund of commodity hedge funds**

FourWinds Capital Management, which manages more than USD 1bn in natural-resources funds, took over the management of Cole Partners Asset Management LLC's fund of commodity funds for an undisclosed sum. The Tellus Liquid Commodities Fund, a Delaware limited liability company, will be available for U.S. investors and have its name changed to Zephyr Liquid Commodity Fund LLC, Boston-based FourWinds said in an e-mailed statement. The company already has a fund of commodity hedge funds called the Zephyr Commodity Fund.

### **SkyBridge to merge seeding platforms and list fund**

SkyBridge Capital, which earlier this month acquired three hedge fund businesses from Citigroup, plans to list its hedge-fund seeding fund on the New York Stock Exchange. The New York-based firm will first merge its 15 seed and early-stage hedge fund platforms, including those just acquired from Citi Alternative Investments, into a single vehicle. The consolidated fund would have managed about USD 870mn at the beginning of the month.

### **UBP appoints alternatives CIO**

UBP Asset Management has appointed Larry Morgenthal as CEO. He will also become CIO of alternatives and lead the renewed activity in the company's fund of hedge funds platform. He was previously working with Bank of America's Alternative Investment Group. Morgenthal was also a part of

### **De Franssu warns on NEWCITS**

NEWCITS are "a traffic accident waiting to happen", according to Jean-Baptiste de Franssu. The chairman of Efama, the European Fund and Asset Management Association, said UCITS, the pan-European fund structure, was not designed for sophisticated investors. The definition of the assets deemed eligible was "not intended to go as far as it is being used" by hedge fund managers launching strategies wrapped in a UCITS. Managers were only launching NEWCITS to get short-term flows, said Mr. de Franssu.

Opus Capital Group, where he was managing partner, and Ivy Asset Management, where he held the roles of COO and later CEO.

### **Investigation into K1 hedge fund hit by death**

One of the suspects in an international hedge fund fraud case has apparently shot himself while being arrested by police on the Spanish island of Mallorca. Dieter Frerichs, who was the managing director of K1 Group, a German fund of hedge funds, committed suicide to avoid being extradited to Germany to face allegations, according to Spanish police.

### **PAAMCO names four new partners**

Pacific Alternative Asset Management Company, ("PAAMCO"), a USD 10bn fund of hedge funds company, today announced that Mayer J. Cherem, Maarten Nederlof, Neale Safaty and Kevin Williams have been promoted to partners. "These appointments underscore PAAMCO's continuing commitment to excellence in due diligence, risk management and portfolio construction. These individuals have made significant contributions to our business as well as the disciplined investment process we implement to achieve superior risk adjusted returns for our clients," said Jane Buchan, Chief Executive Officer of PAAMCO.

### **Credit Suisse expands COO role to fund of hedge funds unit**

Stephen Foster of Credit Suisse Alternative Investments has been appointed chief operating officer (COO) for the firm's

Alpha (fund of hedge funds) business, in addition to his existing role as COO for single manager hedge funds. He will continue to be based at the firm's London office and report to John Kremer, head of the single manager business, but

will now also report to Boris Arabadjiev, head of the Alpha business, in his new role. The move comes as part of Credit Suisse's continued efforts to align the support functions across its hedge fund businesses.

## Product News

### **Oakley launches thematic fund of hedge funds**

Oakley Alternative Investment Management has launched its second fund of hedge funds. The Oakley Opportunities Fund features a thematic portfolio, invested in just 10 to 12 underlying managers. The fund will have as many as five key themes at a time, and was launched in response to investor demands.

### **Italian Asset Manager Fondaco starts new fund of hedge funds**

Fondaco SGR SpA, the asset manager controlled by four Italian banking foundations, raised EUR 92m (USD116mn) for a fund that invests in hedge funds. Fondaco Select Opportunities, which started July 1, invests in strategies including long-short equity and absolute return, Luca Vaiani, who runs the pool, said in an interview. Most of the managers are U.S.-based, he said, declining to name them.

### **Tradex cuts fund of hedge funds fees after investor request**

Tradex, the Connecticut-based fund of hedge funds manager, has cut its management fee for its currency fund due to a request from an investor. The management fee for the Tradex Currency Fund, SPC, has been cut by 25% to 0.75% per annum. Investors are still driving down hedge fund fees, according to an investment management source.

### **Blacksquare to unveil multi-manager fund**

Blacksquare Capital is seeking to unveil another multi-manager fund later in 2010, Financial Times reports. The new fund will be similar to its UCITS III-compliant multi-

manager absolute return fund, but with a more aggressive mandate. In January 2010, the firm unveiled the GBP 2mn IFSL Blacksquare Multi-Manager Absolute Return Fund. The product, which requires a minimum investment of GBP 1'000, contains 12 absolute return funds covering all asset classes and regions.

### **Anchor Point launches commodity fund of hedge funds**

Anchor Point Capital launched a commodities hedge fund of funds with USD 18mn from institutional investors, including an unnamed large university endowment and a private foundation, according to an investor letter obtained by P&I Daily. The Anchor Point Capital Commodity Fund invests in 11 commodity hedge funds, including both generalists and sector specialists, according to the letter. The fund's benchmark is the DJ-UBS Commodity index, and the strategy is expected to generate excess alpha with less volatility.

### **FRM to launch alternatives platform with IBK Securities**

IBK Securities will be the first Korean securities company to co-brand a hedge-fund platform with a foreign alternative-investment firm. Seoul-based IBK Securities has partnered with London-based Financial Risk Management (FRM) to set up a fund of hedge funds and distribute fund products in Korea. Under the memorandum of understanding, IBK Securities will set up an offshore fund of hedge funds tentatively named the IBKS-FRM Fund of Funds. The FoHF platform is slated to go live later this year, with FRM as the investment manager.

## Academic/Research

**The opaque and under-regulated hedge fund industry: Victim or culprit in the subprime mortgage crisis?**

George, Dymally, Boss

It has been argued that hedge funds were among the contributors to the fiscal crisis that arose from the securitization of subprime loans. The hedge fund industry, however, did not play a direct precipitating role in the events leading to the financial meltdown. Indeed, there is no one identifiable primary culprit because the crisis arose from a series of inter-related factors fueled, in part, by the deregulated environment in which financial institutions were operating. However, it is certainly a subject of great debate whether the structure and financial strength of the huge hedge fund industry, with approximately 10,000 funds and \$2 trillion in assets in 2007, exacerbated the intensity of the meltdown 1) by being ready, willing, and able buyers for the collateralized debt obligations (CDOs) arising out of the mortgage-backed securities, 2) by contributing to the volatility of the market with stock sales to provide the

massive amounts of cash required for investor redemptions and to meet margin calls, and 3) by investing in the toxic credit default swaps (CDSs) market.

**Do hedge funds supply or demand liquidity?**

Jylha, Rinne, Suominen

In this paper, they study whether hedge funds supply or demand liquidity on NYSE and Amex traded stocks. Regressing hedge fund returns on a measure of the returns to providing liquidity from Rinne and Suominen (2010) they find that hedge funds do, on average, supply liquidity when markets are illiquid and use liquidity when markets are liquid. As over time markets have become more liquid, see e.g., Khandani and Lo (2007) and Rinne and Suominen (2010), more and more hedge funds have in recent years become users rather than suppliers of liquidity. According to their results the critical change in most hedge funds' behaviour occurred when Autoquote system, fostering algorithmic trading, was introduced in NYSE in 2003.

## 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.

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