PRIMNEWS

Fund of Hedge Funds Review

22nd June 2009

Performance Update all data in

Fund of Hedge Funds Indices	May	Apr	YTD	2008	2007	2006	2005
EDHEC Fund of hedge funds Index	3.29	0.92	4.56	-19.73	10.07	11.25	6.80
HFRI FoHF Composite Index	3.13	1.04	4.59	-21.37	10.25	10.39	7.49
CISDM Fund of hedge funds Index	-	0.53	1.33	-17.04	8.68	9.11	6.47
InvestHedge Composite	2.50	0.45	3.63	-16.63	8.90	9.12	6.99
Eurekahedge Fund of hedge funds Index	3.13	0.97	4.15	-19.75	10.36	10.48	7.97
HFN Fund of hedge funds Aggregated Average	3.29	0.81	3.98	-20.01	9.27	9.60	6.81
Barclay / Global HedgeSource Fund of hedge funds Index	3.18	0.81	4.35	-22.18	8.86	9.38	6.91
Average FoHF Indices	**3.09**	**0.79**	**4.21**	**-19.53**	**9.48**	**9.90**	**7.06**

Investable Hedge Funds Indices	May	Apr	YTD	2008	2007	2006	2005
CS/Tremont Investable HF Index	2.12	0.88	2.14	-26.31	7.42	9.65	3.61
HFRX Global Hedge Fund Index	3.15	1.61	5.53	-23.25	4.23	9.26	2.72
RBC Hedge 250 Index	3.67	3.07	6.90	-21.21	8.22	10.62	-
Average Investable HF Indices	**2.98**	**1.85**	**4.86**	**-22.63**	**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 3.09

Average Investable HF Indices Last Month 2.98

Portfolios of Funds of Hedge Funds	May	Apr	YTD	2008	2007	2006	2005
PrimFund Diversified (net of fees)	1.02	0.21	-0.45	-18.19	8.53	9.54	7.78
PrimFund Growth (net of fees)	2.68	0.40	2.32	-25.08	13.84	13.85	9.38
PrimFund Tactical (net of fees)	2.33	0.18	1.51	-6.58	13.05	18.87	14.49
PrimFund Opportunity (net of fees)	4.45	0.69	3.97	-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

Institutional fund of hedge funds suffer 9-month drop of 37%

Assets under management by the most institutional of fund of hedge funds managers dropped 37% — a whopping USD 172bn — in the nine months ended March 31. All but two of the 25 largest managers of hedge funds of funds for institutional investors saw double-digit drops in assets under management as of March 31 or their most recent date available —compared with June 30, 2008. In fact, 16 managers experienced asset declines of more than 25%.

Hedge funds advance 5% in May as inflows return

If there’s one thing that hedge fund indices seem to agree on, it’s that hedge fund haven’t had a month like May in a very long time. The latest to join the “best month in nine years” chorus is Eurekahedge. The Singapore-based data provider’s Eurekahedge Hedge Fund Index rose 5.2% last month, based on preliminary figures, its best since February of 2000. The index is now up 9.2% on the year.

Primores AG
CH-8001 Zürich
Niederdorfstrasse 88
www.primores.com
T +41 43 497 24 70
info@primores.ch
PRIMORES

Fund of hedge funds proceeding with extreme caution, says S&P fund services

Funds of hedge funds' underlying net and gross exposures are at historically low levels, according to an update on the sector by Standard & Poor's Fund Services. "Use of leverage by S&P Fund Services rated fund of hedge funds and the hedge funds they hold in their portfolios is as low as we have ever seen it," says S&P Fund Services lead analyst Randal Goldsmith, noting that many were holding significant cash balances, over 20% in some cases, at the end of the first quarter of 2009. This meant gross exposures were also at a historic low.

Advisors/People News

RMF, Glenwood renamed as Man Investments

The newly amalgamated business merging Man Group's funds of hedge funds units, RMF Investments and Glenwood, is to be named Man Investments. The renaming comes amid a reorganisation of the businesses that is forecast to trim costs by USD 30mn annually from 2010.

Fund of hedge funds Stratos files motion against New Stream to block arbitration

Stratos Advisers, a California-based fund of hedge funds, has filed a motion to block arbitration with New Stream Secured Capital Fund, a Connecticut-based speciality finance company. Stratos alleged that New Stream provided preferential redemptions to certain investors and refused to honour its additional redemption request, according to a filing in the US District Court for the Southern District of New York.

Swiss private bank closes fund of hedge funds and plans re-launch for 2009

Swiss private bank Lombard Odier Darier Hentsch & Cie is closing its Delta Global and Alternative Strategies fund of hedge funds and replacing them with two new funds. The bank liquidated the funds to create the economic equivalent of side pockets and restructure its product range, according to Cédric Kohler, co-head of hedge fund business at Lombard Odier. The funds suffered from poor performance in 2008. At the end of June the bank will launch two alternative products, a multi-strategy FoHF called LO Dynamic Alternative Strategies and LO Alternative Beta, a hedge fund replication product.

Tradex fund of hedge funds unit boosts Asia team

The fund of hedge funds arm of the Tradex Group has hired Vikram Agarwal as a consultant for expansion in Asia, FINalternatives reports. He will work closely with the research group at Tradex Global Advisors to identify and allocate money to hedge funds across Asia.

Fund of hedge fund Liongate sees big inflow in May, June

Liongate Capital Management has garnered USD 300mn in net inflows over the past month and a half, Reuters reports. And its co-founder said others' pain were the source of its gain. "Institutions have come to us," Randall Dillard said at the GAIM conference in Monaco. "Others were compromised and they have been giving us all their allocations." Two-thirds of the new money have gone into Liongate's managed accounts, Dillard said. Investors have been clamoring for managed accounts since the Madoff scandal broke, believing that they offer greater protection and transparency.

Primores AG
CH-8001 Zürich
Niederdorfstrasse 88
www.primores.com
T +41 43 497 24 70
info@primores.ch
PRIMORES

Product News

Swiss-London listing for Castle AI

Castle Alternative Invest, a closed-ended fund of hedge funds listed on the SIX Swiss Exchange, is to dual list on the London Stock Exchange (LSE) from June 5, 2009. With assets of over USD 500mn, it will become one of the top three fund of hedge funds by assets listed on the LSE. Castle AI invests in a diversified and actively managed portfolio of hedge funds, managed accounts and other investment vehicles. It has a net annualised return of 6.6% over January 1, 1997 through March 31, 2009 in USD terms compared with an annualised return of 0.3% for the MSCI World Index for the same period.

Hong Kong`s SAIL Advisors to sub-advise three ING fund of hedge funds

SAIL Advisors, a Hong Kong-based fund of hedge funds operator, said on Monday it will take over the management of three ING funds in a move that will see a senior ING executive join the Hong Kong firm. Under a complex deal, SAIL will "sub-advise" three fund of hedge funds managed by New York-based ING Alternative Asset Management, raising the Hong Kong firm's assets under management to USD 2.4bn from USD 1.7bn previously.

47 Degrees North launches fund combining innovative alternative investment strategies

47 Degrees North Capital Management Ltd announced the launch of the 47 Degrees North Innovation Fund as of June 1st, a fund that offers investors access to a diversified portfolio of new and innovative alternative investment strategies. The Fund combines a thematic set of alternative investment strategies ranging from Transportation, Electricity, Middle East - Northern African Equities, Insurance-linked Securities, Alternative Energy to Volatility Arbitrage and Multi-Commodities.

Deutsche Bank to close USD 2bn fund of hedge funds

Deutsche Bank will close its Global Masters fund of hedge funds following a brutal 2008 and major redemptions. The German bank is close to finalizing plans for the liquidation of Global Masters, Financial News reports. The fund, which once managed almost USD 10bn, had fallen to just USD 2bn in assets, as investors fled following an 18% drop last year.

FRM asks investors to vote to wind down listed fund

The Guernsey-based firm has recommended that investors in the USD 70.2mn fund of hedge funds vote to wind it up later this month, Financial News report. FRM blamed poor performance and poorer timing for the decision. “In the listed fund sector, products need to grow and establish a track record in order to establish sufficient trading volume in the shares, and attract new investors,” FRM product development head Greg Taylor said. “Diversified Alpha unfortunately launched shortly before the financial turmoil last year, and so it didn’t have a chance to get fully established.”

Cogo Wolf announces launch of fund of hedge funds

Cogo Wolf Asset Management, a global, multi-asset alternative investment firm, announced the launch of the Cogo Wolf Trimaran Liquidity Fund. The Trimaran Fund has been designed to provide Alpha with non-correlation and liability protection including: ultra liquidity (monthly liquidity, 10-day notice with no lock-up, no gate, no redemption penalties and complete transparency); flexibility (all underlying investments are ultra liquid, permitting rapid, opportunistic responses to global volatility and market uncertainty); and stability (diversification).

Primores AG Niederdorfstrasse 88 T +41 43 497 24 70 PRIMORES
CH-8001 Zürich www.primores.com info@primores.ch

Academic/Research

Fund of hedge funds, portable alpha, and portfolio optimization Peng Chen, George J. Jiang, Kevin X. Zhu

The authors examine the portfolio optimization problem that arises when a manager's mandate is a fund of funds with an asset allocation benchmark. The portfolio manager's objective is to maximize the portfolio excess return over the benchmark subject to given tracking errors. The authors decompose total tracking error into two components-the deviation from the benchmark and the additional risk factors associated with fund alpha. By quantifying the contribution of each component of portfolio excess return, the authors show that the performance of the style-constrained portfolio is determined by the active alpha-seeking skill of the portfolio manager and that fund alphas can be separated from their style loadings and are portable. These findings will not only help investors determine optimal tracking error constraints, but will also provide a framework for portfolio managers to identify funds with certain characteristics in order to achieve an optimal portfolio return.

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

Contact

Would you also like to receive PrimNews each month free to you own email account? Just click here and sign up for the newsletter. Please include your name, company, country and your profession.

Primores AG
CH-8001 Zürich
Niederdorfstrasse 88
www.primores.com
T +41 43 497 24 70
info@primores.ch
PRIMORES