

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	May	Apr	YTD	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	-2.80	0.85	-0.53	10.67	-19.73	10.07	11.25
HFRI FoHF Composite Index	-2.84	0.91	-0.55	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index		0.84	2.66	10.34	-17.04	8.68	9.11
InvestHedge Composite	-2.93	0.85	-0.68	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	-1.77	0.85	0.34	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	-2.35	0.87	-0.16	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	-2.64	0.87	-0.40	10.24	-22.18	8.86	9.38
Hedgegate Swiss FoHF Index USD		0.71	1.86	8.61	-19.84	10.99	9.81
Average FoHF Indices	-2.56	0.84	0.10	10.18	-19.63	9.67	9.89

Investable Hedge Funds Indices	May	Apr	YTD	2009	2008	2007	2006
CS/Tremont Blue Chip Index	-3.07	0.89	5.20	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	-2.64	0.80	-0.26	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	-2.43	0.89	0.30	19.25	-21.21	8.22	10.62
Average Investable HF Indices	-2.71	0.86	1.75	16.68	-23.59	6.62	9.84

Investable Hedge Funds Indices	May	Apr	YTD	2009	2008	2007	2006
Replication Indices	-2.50	0.20	-1.84	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 -2.56

Average Investable HF Indices Last Month -2.71

Industry News

Hedge funds manage assets of USD 2,700bn

The global hedge fund industry has more than USD 2,700bn of assets under management according to a survey of custodians and administrators - a figure that would make the industry far larger than most market participants have previously estimated. Data from the top 79 administrators - independent companies that value and provide custody services for hedge fund assets - indicates that total funds under administration for the hedge fund industry have grown by more than 9% over the past six months alone.

Fund of hedge funds eye rivals

Fund of funds managers, the middle men who pair big investors with hedge funds, said they fear competition and are making big changes fast to breathe new life into their businesses. According to a new survey by Rothstein Kass, almost half of them worry that individual hedge fund managers, many of whom now offer broad-ranging

portfolios, might attract the pension fund and endowments they traditionally served.

47% of fund of hedge funds managers may change administrators

A Rothstein Kass survey found that service providers are one of the first places fund of hedge funds will look to improve their ability to provide institution-worthy services to investors. 47% of the managers surveyed will consider changing their administrator, 28% will consider changing their auditor or legal counsel, and 25% will consider changing their custodian.

Funds of hedge funds are gaining in popularity with institutional investors

A recent survey by Mercer, the consultancy, found that nearly 5% of UK pension funds and 14% of European pension funds are looking to increase their allocation to fund

of hedge funds. And well they might – over the past 10 years the HFRI Strategic Index, which measures the performance of funds of hedge funds, returned 41% compared to an 11% return from the MSCI World equity index.

Liberum sees Ucits III threat to listed funds

Investment bank Liberum Capital sees Ucits III funds of hedge funds as a threat to listed funds of hedge funds but believes the listed sector provides the only viable way to access illiquid investment strategies. In Liberum's Alternative View research for May 2010, alternatives and funds analyst Alan Butterly points out that Ucits III regulation limits strategy exposure and that listed hedge

funds can provide access to more esoteric investment strategies.

Fund of hedge funds back on the agenda for small pension funds

Funds of hedge funds are piquing the interest of hedge fund consultants again, according to industry reports published recently by Casey Quirk and Grail Partners. Consultants are aware that, as pension funds return to the hedge funds fold, smaller plans can fall foul of limited human capital and knowledge of the sector's smaller funds. However, in a move away from the bespoke FoHF model, smaller pension funds are seeking exposure through a more traditional commingled approach that takes the sector back to its roots.

Advisors/People News

Mass. PRIM's Travaglini to join Grosvenor Capital

Michael Travaglini, executive director of the USD 44.2bn Massachusetts Pension Reserves Investment Management Board, Boston, resigned effective June 11 to join fund of

hedge funds manager Grosvenor Capital Management. Grosvenor is one of MassPRIM's five hedge fund-of-fund managers, currently managing USD 666mn for the board.

Product News

Turcan Connell opens fund of hedge funds

Turcan Connell is to release one of its core strategies across the wider market with the launch of a Ucits III fund of hedge funds. Pending regulatory approval, the Edinburgh-based firm will launch The Absolute Return fund in the coming months, targeting annualised returns of 6% to 8%. Although the fund is intended predominantly for Turcan Connell clients, outside investors will be able to access the strategy.

StoneWater launches Emerging Markets fund of hedge funds

StoneWater Capital, a hedge fund firm based in New York, has launched a multi-strategy fund of hedge funds. The vehicle, launched on May 1 with USD 12mn in capital from the firm's partners and investors, is focused on emerging markets in Asia and Latin America. StoneWater sees

opportunities in the debt markets, volatility trading as well as currencies.

Permal Group unveils USD 250mn Ucits offering

Permal Group has raised USD 250mn for a fund of funds that will invest solely in Ucits-compliant hedge funds, becoming the latest in a growing number of funds of funds to do so.

Steenman launches first fund of hedge funds

Steenman Asset Management has unveiled its first Luxembourg-domiciled fund of hedge funds. The Core Absolute Return Fund, opened with USD 50mn of assets under management, has 23 underlying funds in the portfolio. The fund uses strategies focusing on hedge funds including equity and credit long/short, global macro, relative value and event driven.

Iveagh and 47 Degrees North launch Newcits fund of hedge funds

The fund offers investors access to a diversified portfolio of Ucits regulated absolute return strategies, known as Newcits funds. It will focus solely on absolute return strategies employing a global, multi-strategy portfolio allocation. The Iveagh Newcits Fund is a daily-dealing, Dublin-domiciled fund which is also regulated in the UK.

Woori and Fullerton launch Asia-focused fund of hedge funds with USD 30mn seed

Woori Absolute Partners is launching a fund of hedge funds product with Fullerton Fund Management as its investment adviser with seed capital of USD 30mn. The Woori Absolute Return Investment Strategies Fund will be a global fund of hedge funds with an Asian focus. Woori Absolute Partners is a wholly owned subsidiary of Korea's Woori Investment & Securities that has been established in Singapore to build capabilities in alternative investments for both Korean and international investors.

Harcourt launches Ucits III fund of hedge funds

Harcourt Investment Consulting, a Swiss alternative investment specialist, has launched an Ucits III version of its Vonda fund of hedge funds. The fund will be team managed and targets a return of 4% over the risk free rate. It will select 10 to 15 managers focusing on CTA and global macro strategies in the most liquid global markets.

Academic/Research

Dedicated short bias hedge funds – Just a one trick pony?

Connolly, Hutchinson

During the recent period of significant market unrest in 2007 and 2008 dedicated short bias (DSB) hedge funds exhibited extremely strong results while many other hedge fund strategies suffered badly. This study, prompted by this recent episode, investigates the DSB hedge funds performance over an extended sample period, from January 1994 to December 2008. Performance evaluation is carried out both initially at the individual fund level and then on an equally weighted dedicated short bias hedge fund portfolio using three different factor model specifications and both linear and nonlinear estimation techniques. They conclude

Zorica Capital launches maiden multi-strategy fund of hedge funds

Newly formed Zorica Capital is launching its maiden hedge fund offering, a multi-strategy fund of funds, in July. The fund, Zorica Managed Accounts Fund, will debut in July with six underlying managers with strategies including statistical arbitrage, forex, long/short equity, and global macro. The fund plans to invest in 15 managers total.

Kairos to launch Ucits CTA fund of hedge funds

Kairos Partners will roll out a fund of commodity trading adviser (CTA) funds. The Ucits III vehicle will target asset allocators who are seeking higher returns from fixed income, but with low correlation to equity markets. The new fund had secured the approval of CSSF in Luxembourg in April 2010. The multimanager and fund of hedge funds specialist funds will launch the vehicle in the coming few months.

Alternative Advisors launches Ucits fund of hedge funds

Alternative Advisors LLP, a London based investment boutique, has announced the launch of the Castillon Diversified Fund, a regulated (UCITS III) multi-manager investment vehicle. The fund's objective is to generate attractive absolute returns whilst ensuring that capital is preserved in any market condition by investing in UCITS compliant absolute return funds and regulated financial instruments.

that DSB hedge funds are indeed more than a one trick pony. They are a significant source of diversification for investors and produce statistically significant levels of alpha. Their findings are robust to the specification of traditional and alternative risk factors, nonlinearity and the omission of the flattering credit crisis period.

Diversification in the hedge fund industry

Shawky, Dai, Cumming

They provide evidence for a significant relation between diversification and performance in the hedge fund industry. Measuring diversification across four distinct dimensions, they find a significant positive relation between hedge fund

performance and diversification across sectors and asset classes. They show that on a risk adjusted basis, hedge funds that diversify across sectors and asset classes outperform other funds by an average of 1.6 percent per year. However, diversification across styles - the “jack of all trades” fund manager - is found to exhibit a significant negative association with hedge fund returns. Diversification across geographies does not have a significant impact on hedge fund performance. For fund of hedge funds, they find a significant positive relation between performance and diversification across sectors, styles and geographies. Furthermore, they find that the motive to engage in diversification is consistent with managerial incentive structure in the hedge fund industry.

Dynamic Versus Static Optimization of Hedge Fund Portfolios: The Relevance of Performance Measures

Hentati, Kaffel, Prigent

This paper analyzes the relevance of a set of some performance measures for optimal portfolios including

hedge funds. Four criteria are considered: the Sharpe Ratio, the Returns on VaR and on CVaR, and the Omega performance measure. The results are illustrated by an allocation on several indices: HFR (Global Hedge Fund Index), JPM Government Bond Index, S&P GSCI, MSCI World and the UBS Global Convertible. Both static and dynamic optimizations are considered. Due to the non-convexity of some of the criteria, they use the “threshold accepting algorithm” to solve numerically the optimization problems. The time period of the analysis is September 1997 to August 2007. Their results suggest that, for the dynamic optimization, the portfolio which maximizes the Omega measure has the more stable performances, in particular when compared to the Return-on-CVaR portfolio. As a by-product, they prove that all the optimal portfolios had to contain hedge funds for the time period 1997-2007.

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 solutions for institutional investors (white label, sub advisory)
- PrimFunds: one stop shop solutions

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