

Performance Update all data in %

Fund of Hedge Funds Indices	Feb	Jan	YTD	2008	2007	2006	2005
EDHEC Fund of hedge funds Index	-0.28	0.86	0.32	-19.73	10.07	11.25	6.80
HFR1 FoHF Composite Index	-0.32	0.70	0.38	-21.30	10.25	10.39	7.49
CISDM Fund of hedge funds Index	-	0.95	0.95	-17.04	8.68	9.11	6.47
InvestHedge Composite	-0.09	0.87	0.78	-16.63	8.90	9.12	6.99
Eurekahedge Fund of hedge funds Index	-0.23	0.49	0.26	-19.75	10.36	10.48	7.97
HFN Fund of hedge funds Aggregated Average	-0.44	0.47	0.02	-20.01	9.27	9.60	6.81
Barclay / Global HedgeSource Fund of hedge funds Index	-0.22	0.72	0.5	-22.18	8.86	9.38	6.91
Average FoHF Indices	-0.26	0.72	0.40	-19.52	9.48	9.90	7.06

Investable Hedge Funds Indices	Feb	Jan	YTD	2008	2007	2006	2005
CS/Tremont Investable HF Index	-2.96	0.73	-2.25	-26.31	7.42	9.65	3.61
HFRX Global Hedge Fund Index	-0.38	1.10	0.71	-23.25	4.23	9.26	2.72
FTSE Hedge Index	-0.30	-1.29	-1.59	-19.76	0.62	6.28	2.60
RBC Hedge 250 Index	-0.62	1.27	0.64	-21.21	8.22	10.62	-
Average Investable HF Indices	-1.07	0.45	-0.62	-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 Current Month **-0.26%**

Average Investable HF Indices Current Month **-1.07%**

Portfolios of Funds of Hedge Funds	Feb	Jan	YTD	2008	2007	2006	2005
PrimFund Diversified (net of fees)	0.08	0.34	0.42	-18.19	8.53	9.54	7.78
PrimFund Growth (net of fees)	-0.29	0.37	0.08	-25.08	13.84	13.85	9.38
PrimFund Tactical (net of fees)	-0.46	0.18	-0.28	-6.58	13.05	18.87	14.49
PrimFund Opportunity (net of fees)	-0.26	0.13	-0.13	-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
Olympia Capital reports hedge fund attrition rate of 28% in 2008

After a decade of dramatic growth, the hedge fund industry is experiencing the greatest shock of its short history. First estimates indicate that the hedge fund assets under management shrunk by at least 20% in 2008. With massive redemptions and global deleveraging on the one hand, liquidity squeeze and extreme market conditions on the other hand, many hedge funds have experienced large drawdowns and placed liquidity restrictions (side-pockets, gates, suspension of redemptions). While it is too early to estimate precisely how many funds will be able to recover and/or overcome this crisis, this research note aims at giving a first idea of the surge in hedge fund mortality in 2008.

Terrapinn survey reveals positive investor sentiment

The majority of hedge fund investors believe hedge funds can provide good, long-term returns, but are still cautious, according to a new Terrapinn survey. The survey, which queried 269 institutional investors, fund managers and service providers from around the world, revealed that 39% of investors believe that depressed markets and heightened risk premium offer a great entry point for fresh investment. Unsurprisingly, the hedge funds themselves are even more optimistic, with 55% of hedge funds stating that the current environment offers exceptional opportunity.

Hedge fund leverage falls by half

Hedge funds cut leverage by almost half last year, according to new figures from Britain's financial regulator, and borrowing has fallen even further since then. Leverage dropped to 1.15 times assets in October, according to the Financial Services Authority. The figure was about 1.9 times in October 2007, and was 1.44 times in April. What's more, hedge funds cut their borrowing even faster than their lenders required.

Funds of hedge funds lose third of assets in 2008

Funds of hedge funds, the middlemen that pension funds and endowments often use to create alternative portfolios, lost roughly one-third of their assets last year, according to Investhedge. The industry's largest funds of funds, managing

more than USD 1bn, now jointly control USD 744bn in assets.

Fund of hedge funds model sound but liquidity structure concerns remain

Against a background of industry debate over whether the funds of hedge funds model is flawed, Standard & Poor's Fund Services notes in its latest sector update that the sector succeeded in outperforming traditional equity investment substantially in 2008. 'We feel that the basic investment idea behind the fund of hedge funds model is sound,' says S&P Fund Services lead analyst Randal Goldsmith. 'If anything, 2008, the worst year on record for funds of hedge funds model, demonstrated very clearly the risk associated with long-only, index-driven investing.'

Advisors/People News

Larch Lane names fund of hedge funds head

Fund of hedge funds investment firm, Larch Lane Advisors has appointed Frank Travers as director of fund of hedge funds. Previously, he was CEO and director of research at First Peninsula Capital where he managed a global, thematic hedge fund of hedge funds.

Commerzbank seeks buyer for fund of hedge funds group

The German bank has put up its fund of hedge funds unit, Comas, up for sale. According to the Financial Times, Commerzbank is already in talks with several potential

buyers, including other funds of hedge funds and family offices. The move to sell Comas, which manages USD 900mn, comes just months after Commerzbank traded its main asset management business to Allianz as partial payment for its takeover of Dresdner Bank.

UBP to partially reimburse Madoff victims

Swiss private bank Union Bancaire Privee (UBP) has offered to buy back its clients' Madoff exposure for 50% of the original cost, hoping to rebuild client trust after it was hit hard in the scandal. Under the terms of the offer unlisted bank UBP said it will pay one-fifth of the offered price each year plus a 2 percent interest over the course of five years.

Product News

Liongate seeks USD 500mn for commodity fund of hedge funds

Liongate Capital Management LLP, a London-based firm managing USD 2.2bn, plans to raise USD 500mn for a fund of commodity hedge funds. The Liongate Commodities Fund returned about 0.1% last year and 0.3% in January, when it operated with the firm's capital of USD 40 million.

Gottex restructured Market Neutral Plus fund

Gottex Fund Management lifted suspension of redemptions of the Market Neutral Plus fund, one of the first big funds to suspend withdrawals when the industry hit crisis in the autumn. The USD 1.9bn Gottex Market Neutral Plus fund reopened on March 2. More than 80 percent of clients have decided to remain invested.

London Asset Management unveils alternative asset fund of hedge funds

Adviser firm London Asset Management (LAM) is launching its own alternative asset fund of hedge funds as it seeks to exploit what it says is a gap in the market. It has a remit to invest in funds in the senior life settlement, carbon emission, traded endowment and student accommodation sectors as well as other alternative asset classes.

Cole Partners plans to open commodity fund to outside investors

Cole Partners Asset Management LLC, the Chicago-based investor, plans to open a fund of commodity hedge funds to new investors in April and allow clients to withdraw cash twice a month. The Tellus Liquid Commodities Fund has run without outside investors for three years, and advanced every year.

Stockade Asian Trading Strategies launched

Absalom, former head of HSBC's hedge fund and central bank sales, is launching the Stockade Asian Trading Strategies fund of hedge funds. Stockade will only invest in funds that operate non-long biased strategies, such as macro, relative value arbitrage, currency and quant. It added the fund will offer a beta overlay to investors.

Newedge, Amiri Capital to launch Islamic fund of hedge funds

Amiri Capital, the Islamic asset manager backed by investment firm Olivant, said it has teamed up with broker Newedge to launch the first Islamic fund of long/short hedge

funds marketed in the Middle East. Hedge funds are a relatively new concept in Islamic finance and a bone of contention, with some scholars rejecting them as speculative and others sanctioning them as a tool for diversification.

Db x-trackers launches first hedge fund ETF

Two new db x-trackers ETFs were admitted to trading on the Deutsche Boerse Xetra platform, one tracking a Deutsche Bank hedge fund index. The db x-trackers db Hedge Fund Index ETF tracks the performance of the db Hedge Fund Index. The index captures five different core hedge fund strategies, as represented by the dbX-Tactical Hedge Fund ("THF") Index family, all proprietary Deutsche Bank indices.

Hong Kong's Ajia Partners to launch fund of hedge funds investing in CTAs

Hong Kong-based hedge fund manager Ajia Partners is set to launch a new fund of hedge funds and is planning to use a risk overlay strategy incorporating over-the-counter flow products like put options to manage its related exposures. The Explorers Fund will invest in a basket of commodity trading advisors playing currencies, commodities or equities—or a combination of these—via options, swaps and futures.

Partners Group to delist fund of hedge funds

Swiss private equity firm, Partners Group, will be delisting its fund of hedge funds firm after its share price fell below the value of asset base. The board of Partners Group Global Opportunities (PGGO) is planning to convert the fund of hedge funds into an open-ended investment company fund.

Academic/Research

In search of market discipline: the case for indirect hedge fund regulation

P. Jonna

This comment proposes implementing indirect hedge fund regulation by focusing on market participants such as pension fund investors and banks that lend to hedge funds. The following is a brief summary of the key proposals of this Comment: (1) the Employee Retirement Income Security Act of 1974 (ERISA) should be amended to state that any private pension fund that seeks to invest money into a hedge fund may only do so if that hedge fund discloses certain material

information and is registered with the SEC; (2) Congress should enact new legislation that would allow hedge funds to voluntarily register with the SEC as hedge funds, to provide an avenue for hedge funds to, at a minimum, provide the SEC with audited financials, follow SEC rules in calculating the value of their assets, and disclose their trading strategies in confidence; and (3) an international regulatory solution is necessary to address the arduous task of uniformly regulating hedge fund creditors. This could be done through the Bank for International Settlements (BIS), an international organization which serves as a bank for central

banks, which, in its capacity as a forum to promote discussion and policy among central banks, should establish international banking standards with hedge funds. These standards should include mandating that all banks engaging in hedge fund financing should (1) only do so if the hedge funds provide them with audited financials, (2) follow SEC or other accepted rules in calculating the value of their assets, and (3) disclose their trading strategies in confidence.

Monitoring daily hedge fund performance when only monthly data is available Li, Markov, Wermers

This paper introduces a new approach to replicating hedge fund returns. Specifically, they use low-frequency (monthly) models to forecast high-frequency (daily) hedge fund returns. This approach addresses the common problem that confronts investors who wish to monitor their hedge funds on a daily basis-disclosure of returns by funds occurs only at a monthly frequency, usually with a time lag. The authors use monthly returns on investable assets or factors to fit monthly hedge fund returns, then forecast daily returns (using the publicly observed daily returns on the explanatory assets) of hedge funds during the following month. Using hedge fund indexes, they show that their replication approach closely forecasts the actual daily returns of the indexes. They illustrate how their simple replication approach can be used to (1) hedge daily hedge fund risk and (2) estimate and control value-at-risk.

On tournament behaviour in hedge funds: high water marks, managerial horizon, and the backfilling Bias Aragon, Nanda

The authors analyze the risk choices by hedge funds that perform poorly, relative to other funds and in absolute terms and test predictions on the extent to which these decisions are related to the fund's incentive contract, investment horizon and dissemination of performance information. The authors find that "tournament" behavior is more prevalent in the (backfilled) period when funds may be at an incubation stage, before they start voluntarily reporting to a database. Excluding backfilled data, the authors find that variance shifts depend on absolute rather than relative fund performance. Consistent with theoretical arguments, the propensity for losing funds to increase risk is significantly weaker among those that tie the manager's incentive pay to the fund's high-water mark suggesting a possible benefit from such incentive structures and among funds that face little immediate risk of closure. Overall, the combination of factors such as reporting performance to a database, high-water mark provisions, and low risk of fund closure appear to make poorly performing funds more conservative with regard to risk-shifting.

About Primores

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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 fund of hedge funds investments

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

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