

**Performance Update** all data in %

By clicking on the index name you will be able to access a fact sheet containing more detailed information

<b>Fund of Hedge Funds Indices</b>	<b>Feb</b>	<b>Jan</b>	<b>YTD</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
EDHEC Fund of hedge funds Index	0.15	-0.36	-0.21	10.67	-19.73	10.07	11.25
HFRI FoHF Composite Index	0.13	-0.37	-0.24	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index		0.00	0.00	10.34	-17.04	8.68	9.11
InvestHedge Composite	0.12	-0.23	-0.11	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	0.82	-0.38	0.44	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	0.10	-0.39	-0.08	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	0.13	-0.33	-0.20	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD		-1.00	-1.00	8.61	-19.84	10.99	9.81
<b>Average FoHF Indices</b>	<b>0.24</b>	<b>-0.38</b>	<b>-0.06</b>	<b>10.18</b>	<b>-19.63</b>	<b>9.67</b>	<b>9.89</b>

<b>Investable Hedge Funds Indices</b>	<b>Feb</b>	<b>Jan</b>	<b>YTD</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
CS/Tremont Investable HF Index	3.87	1.35	5.27	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	0.26	-0.02	0.24	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	0.38	-0.10	0.28	19.25	-21.21	8.22	10.62
<b>Average Investable HF Indices</b>	<b>1.50</b>	<b>0.41</b>	<b>1.93</b>	<b>16.68</b>	<b>-23.59</b>	<b>6.62</b>	<b>9.84</b>

<b>Investable Hedge Funds Indices</b>	<b>Feb</b>	<b>Jan</b>	<b>YTD</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Replication Indices	0.30	-1.50	-1.20	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 **0.24**
**Average Investable HF Indices** Last Month **1.50**
**Industry News**
**Hedge funds recoup lost assets and return to 2008 levels**

Hennessee Group LLC, an adviser to hedge fund investors, estimates that hedge fund industry assets increased by USD 751bn in 2009 to USD 1.96tn. To avoid double counting, fund of fund assets are not included in the asset growth analysis. The jump in assets represents a +62% increase since the beginning of 2009 and leaves industry assets at their pre-crisis levels in 2007. Preliminary results indicate that the hedge fund industry experienced net inflows of USD 448bn (+37%) in 2009.

**Butterfield Fulcrum launches managed accounts platform**

Butterfield Fulcrum, an alternative fund administration company, has launched a managed accounts platform that provides segregated and commingled managed accounts with a common set of tools for operations, administration and risk monitoring. The platform, called Altinus, aims to provide an advanced operational and technological infrastructure that complements the investment management services provided by an asset allocator

## Advisors/People News

**Paradigm Global downsizes office space**

Paradigm Global Advisors, one of the oldest fund of hedge funds managers, founded in 1989 by Dr James Park, has downsized its operations moving from midtown Manhattan to a smaller office space in Westchester after a tough couple of years left the fund of hedge funds well below its all time AuM high. At the end of last year, Paradigm's assets under management had shrunk to USD 150mn – at its height the firm had hit USD 1.8bn under management.

**Oakley continues expansion**

With assets more than doubling since January 2009, specialist alternative asset manager Oakley Alternative Investment Management is expanding its strategic scope with the appointment of leading hedge fund investor Teun Johnston as a Portfolio Manager. Teun Johnston was previously Co-Head of Investments at Amundi AI, one of the world's largest funds of hedge fund managers.

**FRM founder to be CEO again**

A familiar face is retaking the reins at fund of hedge funds shop Financial Risk Management. Blaine Tomlinson will take over as CEO next month. The founder of FRM, Tomlinson served as CEO until 2007. He has been the USD 8.5bn firm's chairman since. Tomlinson succeeds his successor as chief executive: Brian Robinson is retiring at the end of March. FRM has seen its asset base drop 38% since 2007.

**Harcourt AUM reaches USD 4.5bn in 2009**

Harcourt Investment Consulting had assets under management of USD 4.5bn at 31 December 2009, corresponding to a growth of USD600m for the full year 2009. The assets increase of 15 per cent derives from existing as well as from new clients. Harcourt's outlook for 2010 is optimistic, with an expected positive continuation of its AUM development. The firm's further growth is expected

to come from advisory and customized mandates, the focus on commodities, several new projects based on managed accounts, as well as a soon to be launched Ucits fund of hedge funds product.

**ISAM forms alliance with Hite Capital, plans launch of fund of managed accounts**

Stanley Fink's International Standard Asset Management (ISAM) announced that it has formed a Strategic Alliance with Hite Capital Management (HCM). As part of this alliance, Larry Hite, Alex Greyserman, and Gilbert Lee will join ISAM as shareholders and directors. This development marks an important step in the evolution of ISAM's plan to build out a multi-strategy platform of liquid hedge fund strategies and provides a springboard for the launch of ISAM Systematic in April of this year. This will be followed by the launch of ISAM Fusion Fund, a fund of managed accounts.

**Gottex and Morgan Stanley hedge fund FrontPoint Partners form new direct lending venture**

Gottex announced that Gottex and FrontPoint Partners LLC will form a new direct lending venture, providing access for Gottex's clients to the direct lending sector. Steve Czech will join FrontPoint and will be located in Greenwich, Connecticut. He will manage the FrontPoint Direct Lending strategy and a customised Gottex Direct Lending strategy. The strategy is based on making secured loans to US and European middle market companies.

**Citigroup in talks to sell fund of funds unit to SkyBridge**

Citigroup Inc. is in talks to sell a hedge-fund business with about USD 4bn in assets as the bank company continues to whittle down a USD 547bn pool of assets marked for sale. SkyBridge Capital, a New York alternative-asset manager led by two alumni of Goldman Sachs Group Inc., is in advanced talks to buy Citi's fund-of-funds business.

**Product News**
**New Ramius unit debuts hedge fund of funds**

Ramius Trading Strategies, a subsidiary of Ramius Alternative Solutions, launched its first hedge fund of funds, RTS Global Fund. The fund focuses on active trading strategies, investing primarily in managed futures and global macro managers through a separate or managed account format. Ramius Alternative Solutions made a USD 45mn seed investment in RTS Global Fund.

**Brazil-focused fund of hedge funds launches**

Geneva-based asset management company Bedrock Group has launched a fund of hedge funds focusing on managers in Brazil. The Bedrock Brazil Fund was launched with approximately USD 40mn of assets under management from existing and new investors. The fund will concentrate on six to eight Brazilian managers using long/short equity, credit and macro strategies.

**Focus Investment Group plans to launch a UCITS fund of funds**

Bermuda-based, fund of funds manager Focus Investment Group intends to launch a multi-manager fund of UCITS funds - Focus Liquidity UCITS Fund in the second quarter of 2010.

**Theta Legends launched in February**

Amsterdam-based fund of hedge funds manager Theta Capital Management announced the launch of Theta Legends. The fund was launched in February this year with USD 60mn seeding capital, will have a portfolio of 5-10 multi-strategy investment managers. The idea of the fund is to give investors access to top-quality managers with a proven track-record of 15 years, full transparency and liquidity. The fund was launched as a result of investor feedback Theta Capital has received last year.

**Academic/Research**
**How liquid are liquid hedge funds?**

Teo

This paper evaluates hedge funds that grant favorable redemption terms to investors. Within this group of purportedly liquid funds, they find that investor redemptions significantly impact fund performance. Funds with high net inflows subsequently outperform funds with low net inflows by 5.94% per year after adjusting for risk. The return impact of flows is transient, driven by outflows, and more pronounced when markets are bereft of liquidity and for funds that embrace liquidity risk. In keeping with an agency explanation, funds with strong incentives to raise capital, low performance fees, depressed manager option deltas, no manager capital co-invested, and multiple prime brokers are more likely to take on excessive liquidity risk. These results shed light on the asset-liability mismatch in the hedge fund industry

**Hedge funds and the financial crisis**

Shadab

The performance of hedge funds during the financial crisis suggests that wide-ranging financial regulation is not always

necessary to advance investor protection and financial stability. While 2008 was a year of record hedge fund losses and investor withdrawals that came about in part because many hedge fund managers failed to adequately respond to the financial crisis, the hedge fund industry significantly outperformed the heavily regulated mutual fund sector and, unlike the banking industry, was never in jeopardy of collapsing. Hedge funds did not cause or meaningfully exacerbate the financial crisis and in fact have reduced its impact and are helping the economy to recover.

**Risk and return in hedge funds and funds of hedge funds: A cross-sectional approach**

Hee Soo Lee

The objective of this paper is to examine whether the available data on hedge funds and funds of hedge funds can reveal the risk-return trade-off and, if so, to find the best risk measure that captures the cross-sectional variation in hedge funds and fund of hedge funds returns. Using the "live funds" and the "dead funds" datasets provided by Hedge Fund Research Inc., they concentrate on alternative risk measures such as semi-deviation, VaR, expected shortfall

and tail risk and compare them with standard deviation in terms of their ability to describe the cross-sectional variation in expected returns of hedge funds and fund of hedge funds.

### **Passive hedge fund replication – Beyond the linear case**

Amenc, Martellini, Meyfredi, Ziemann

In this paper they extend Hasanhodzic and Lo (2007) by assessing the out-of-sample performance of various non-linear and conditional hedge fund replication models. They find that going beyond the linear case does not necessarily

enhance the replication power. On the other hand, they find that selecting factors on the basis on an economic analysis allows for a substantial improvement in out-of-sample replication quality, whatever the underlying form of the factor model. Overall, they confirm the findings in Hasanhodzic and Lo that the performance of the replicating strategies is systematically inferior to that of the actual hedge funds.

## 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

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