

Performance Update

Fund of Hedge Funds Indices	April	March	YTD	2005	2004	2003
EDHEC Fund of Funds Index	1.76%	1.64%	6.78%	6.48%	7.07%	11.46%
HFRI FoHF Composite Index	1.76%	1.67%	6.81%	7.49%	6.86%	11.61%
CISDM Fund of Funds Index	-	1.49%	4.46%	6.47%	7.12%	10.23%
InvestHedge Composite	-	1.45%	4.50%	7.07%	6.15%	9.34%
Altvest Sub-Index: Fund of Funds	1.73%	1.63%	6.71%	7.68%	7.39%	11.12%
Eurekahedge Fund of Funds Index	1.67%	1.71%	6.73%	7.76%	6.82%	11.50%
Barclay/Global HedgeSource FoF Index	1.62%	1.66%	6.70%	6.91%	6.65%	10.44%
AAC Fund of Hedge Fund Benchmark	-	1.57%	4.97%	7.54%	6.43%	11.32%
Average FoHF Indices	1.71%	1.60%	5.96%	7.18%	6.81%	10.88%

Investable Hedge Funds Indices	April	March	YTD	2005	2004	2003
CSFB/Tremont Investable HF Index	1.77%	1.60%	5.59%	3.61%	5.31%	11.04%
MSCI Hedge Fund Invest Index	1.17%	1.13%	4.80%	4.68%	3.10%	14.70%
S&P Hedge Fund Index	1.01%	1.16%	5.08%	2.28%	3.88%	11.10%
HFRX Global Hedge Fund Index	1.15%	1.15%	5.01%	2.72%	2.69%	13.39%
FTSE Hedge Index	1.23%	1.08%	4.98%	2.60%	3.12%	12.36%
Average Investable HF Indices	1.27%	1.22%	5.09%	3.18%	3.62%	12.52%

Numbers prior to the date of inception of the Investable Indices are pro forma. Fees may not be included.

Fund of Funds of Hedge Funds	April	March	YTD	2005	2004	2003
PrimFund Diversified (net of fees)	1.81%	1.56%	6.40%	7.78%	8.39%	13.68%
PrimFund Growth (net of fees)	2.50%	2.08%	8.63%	9.38%	15.69%	20.75%

Inception of PrimFund Diversified was July 2004, of PrimFund Growth April 2005. The simulated data prior reflects the net performance of a weighted composite of the targeted fund managers net of fees.

Industry News

Q1 asset flow report shows net inflows for hedge fund assets up 3.18% **Tremont**

Tremont Capital Management Inc.'s Asset Flow Report for the First Quarter of 2006 showed a \$27.6 billion net inflow across all investment styles for the first quarter of 2006. According to the report, Emerging Markets continued to gain assets, increasing at a rate of 7.97%, as investors continue to invest in this sector. Convertible Arbitrage continues to suffer, posting a net loss of 3.88% in the first quarter; although this is down from the same period last year when the outflows recorded a -5.75% change in assets.

With recent trends favoring equities and commodities, investments in Global Macro and Managed Futures may well correlate with Emerging Markets and other heavily invested strategies. This is supported by the aggregate asset inflow for the quarter of \$21.3 billion for Emerging Markets, Managed Futures, Long/Short Equity and Global Macro. The report shows that Emerging Markets (\$4.4 billion), Managed Futures (\$1.7 billion) and Long/Short Equity (\$12.3 billion) attracted the greatest amount of net assets in absolute terms for the quarter

Survey finds number of single hedge funds raise to 11,645

The HFMWEEK survey has examined the strengths and weakness of the hedge fund industry, with 48 administrators sharing their news, views and figures. Within the survey, the definition of 'alternative investments' refers to single-manager funds and funds of funds, excluding other investment vehicles. Contrary to the bad news some had predicted, single-manager funds' assets under administration have increased 29% in the six months since the last survey, in November 2005, rising from \$1.37trn to \$1.77trn, with the number of single funds under administration growing by 45%, from 8,052 to 11,645. Funds of hedge funds have also seen a sustained, if slightly inferior, period of growth, with assets increasing 10% from \$710bn to \$781bn, and funds under administration increasing by 43%, from 4,149 to 5,933. Citco Fund Services is once again first in the single funds results table.

Alternatives still top with wealthy of minimum 50mn USD of assets

For the fourth year in a row, alternative investments were the favorite choice of the well-heeled, according to a survey by the Institute for Private Investors. The poll of IPI members found that 40% had their money in alternatives followed by equities (36%), municipal bonds (11%), cash (7%) and taxable bonds (6%). Hedge funds dominated the alternatives category, grabbing about 85% of all alts funds, followed by real estate investment (8%), private equity (6%) and venture capital (2%).

Advisor/People News

Matteo Dante Perruccio joins Olympia Group as Co-CEO

Matteo Perruccio will join Olympia Capital Management on June 1st, 2006 in the role of Co-CEO of Olympia Capital Management as well as CEO of Olympia Capital Management Inc. USA. Perruccio was formerly CEO of Pioneer International and responsible for growing the international business at Pioneer Investments into an award winning player both in Europe and overseas. Perruccio will relocate to Paris and together, with Marc Landeau who founded Olympia in 1989, will take the helm of Olympia.

Torrey hires risk manager from Credit Suisse

Torrey Associates announced that John Casano has joined the firm as Head of Risk Management. He joins Torrey from Credit Suisse's \$15 billion fund of hedge funds division where he worked closely with the Risk Management Group in constructing customized portfolios with specific risk-oriented parameters. In this capacity it was imperative that he understand and help manage the multitude of risks inherent on both the individual manager level as well as the portfolio as a whole. Prior to his position at Credit Suisse, Mr. Casano was a Manager Research Analyst at Tremont Capital Management. Mr. Casano graduated from Villanova University, where he received a B.S. degree in Finance.

Julius Wang joins Vision from Ritchie Capital

Vision Investment Management announced the appointment of Julius Wang as Managing Director and a member of the Board of Directors. The appointment reflects the growth of the firm and follows a strategic review of its future positioning within the alternative investment arena. Julius will be responsible for establishing an angel-investing platform aiming to provide seed capital to start-up/early stage hedge funds in exchange for a portion of the future economics. Vision shall be launching a new fund, Vision Angel Fund, as the vehicle for this new initiative. The Fund will be managed primarily by Julius in a manner similar to private equity investing that shall seek to deliver superior IRR over the duration of the Fund.

Richard Berger joins Pioneer

Pioneer Alternative Investments announced the hire of Richard Berger as Head of Research and Due Diligence. Richard joins from Olympia where he held the position of Head of Research. In his new role, Richard will be responsible for PAI's global research team encompassing teams in the US, Europe and Asia. He will report directly to Paolo Barbieri, Deputy CEO and Head of FoHFs for PAI. Richard will also join the PAI Momentum Funds Investment Committee, completing a team which consists of Paolo Barbieri, Alberto La Rocca, CEO PAI, Mark Barker and Gregory Knott.

Integrated Asset Mgmt buys controlling stake in hedge fund Attica

Integrated Asset Management said it had bought a controlling 50.1 percent stake in hedge fund firm Attica Holdings from Sal. Oppenheim. Integrated said that it will pay for its majority stake by issuing around 6.3 million new ordinary shares to Sal. Oppenheim. Sal. Oppenheim will become Integrated's largest single shareholder with a stake of about 27 percent. Integrated also has the option to acquire the remaining 49.9 percent of Attica for a total of up to 13.45 million euros in cash and shares. Attica currently manages over \$400 million. The acquisition will increase Integrated's total assets under management to more than \$1.1 billion. Integrated's existing fund of hedge funds business, GAIM Advisors and Attica will become preferred providers for fund of hedge funds to Sal. Oppenheim.

Fund Advisors hires new people

Sophie Huang has joined as a Director from UBS (Global Asset Management Division) and RMF Investment group to strengthen the investment team and to develop asset allocation programmes. Nisrin Zerekli has joined as a sales and marketing Executive from Tremont Capital management and Liability Solutions Limited where she focused on raising capital for hedge funds.

Product News

Finnish Celeres Fund Management has launched Celeres Summa

The Finnish asset management company Celeres Fund Management have launched their second hedge fund, the FoHF Celeres Summa. Celeres Summa has also entered the HedgeNordic hedge fund index. The fund was launched in March. It has a Nordic investment focus. Celeres Summa has a 10-12% annual return target and a moderate risk level (always less than 8% p.a.).

Academic/Research

Optimal Hedge Fund Allocation with Asymmetric Preferences and Distributions

Hedge funds typically have non-normal return distributions marked by significant positive or negative skewness and high kurtosis. Mean-variance optimization models ignore these higher moments of the return distribution, and thus fail to convince investors who care about the unwanted skewness and kurtosis that hedge funds may work well in a portfolio. Morton and Popova use a new method which incorporates Monte Carlo simulation and optimization to solve for a variety of investment objectives and address the special issues of hedge fund allocation. They applied the new optimization model to examine the effects of semi-variance, conditional third and fourth moments on portfolio allocation with hedge funds. They show that conditional on the investor's objective, a substantial allocation to hedge funds is justified even with consideration for the highly unusual skewness and kurtosis.

Risk Measures for Hedge Funds: A Cross-Sectional Approach

Liang, Park

This paper analyzes the risk-return trade-off in the hedge fund industry. They compare semi-deviation, value-at-risk (VaR) and conditional value-at-risk (CVaR) with standard deviation at the individual fund level as well as the portfolio level. Using the Fama and French (1992) methodology and the combined live and defunct hedge fund data from TASS, they find that the left-tail risk captured by conditional value-at-risk (CVaR) explains the cross-sectional variation in hedge fund returns very well, while the other risk measures provide statistically insignificant or marginally significant results. During the period between January 1995 and December 2004, hedge funds with high CVaR outperform those with low CVaR by an annual return difference of 7%. They provide empirical evidence on the theoretical argument by Artzner et al. (1999) that CVaR is superior to VaR as a downside risk measure. They also find the Cornish-Fisher (1937) expansion is superior to the nonparametric method in estimating CVaR.

Characteristics of the hedge fund industry in Japan

Sanderson

Using a comprehensive database of returns and assets under management of Asian hedge funds they investigate the size flows, performance and other characteristics of the Japanese hedge fund industry. They find that the industry has grown at a phenomenal rate since the second half of 2003, although the compound annual growth rate of assets appears to have slowed in the six months ending December 2005. Second, a time series of estimated dollar money-flows into/out of Japan's hedge fund industry points to large inflows in recent years. Third, they note that the average asset-weighted or equal-weighted performance of Japan hedge funds under-performed traditional Japan equity benchmarks. Finally, they describe the prototypical hedge fund trading Japan as being very small.

THIS DOCUMENT IS FOR INFORMATIONAL PURPOSES ONLY, AND DOES NOT REPRESENT AN OFFER TO ACQUIRE ANY OF THE FUNDS OR OTHER INVESTMENT VEHICLES LISTED OR DESCRIBED HEREIN. NONE OF THE FUNDS OR INVESTMENT VEHICLES LISTED OR DESCRIBED HEREIN IS OR HAVE BEEN RECOMMENDED BY PRIMORES AG. NO REPRESENTATIONS ARE MADE BY PRIMORES AG ABOUT THE ACCURACY OR COMPLETENESS OF THE DATA CONTAINED HEREIN. PRIMORES AG ACCEPTS NO RESPONSIBILITY FOR CALCULATION OF THE RATES OF RETURN HEREIN, OR FOR ANY INVESTMENT ALLEGEDLY MADE ON THE BASIS OF THIS DOCUMENT. PRIMORES AG DRAWS READERS' ATTENTION TO THE FACT THAT THE FUNDS AND INVESTMENT VEHICLES LISTED OR DESCRIBED HEREIN CARRY SUBSTANTIAL RISKS AND ARE NOT SUITABLE FOR ALL TYPES OF PORTFOLIOS. PAST PERFORMANCE OF THESE FUNDS AND INVESTMENT VEHICLES IS NOT NECESSARILY AN INDICATION OF FUTURE PERFORMANCE. THIS FACTSHEET IS INTENDED FOR THE EXCLUSIVE USE OF THE SUBSCRIBER OR ADDRESSEE, AND MAY NOT BE REPRODUCED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE EXPRESS PERMISSION OF PRIMORES AG.