

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	Apr	Mar	YTD	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	0.95	1.71	2.44	10.67	-19.73	10.07	11.25
HFR1 FoHF Composite Index	0.91	1.72	2.42	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index		1.51	1.80	10.34	-17.04	8.68	9.11
InvestHedge Composite	0.94	1.50	2.41	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	1.33	1.64	2.66	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	1.12	1.66	2.49	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	1.05	1.77	2.51	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD	1.86	0.22	1.14	8.61	-19.84	10.99	9.81
Average FoHF Indices	1.17	1.47	2.39	10.18	-19.63	9.67	9.89

Investable Hedge Funds Indices	Apr	Mar	YTD	2009	2008	2007	2006
CS/Tremont Blue Chip Index	0.92	2.04	8.56	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	0.80	1.38	2.45	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	0.95	1.69	2.87	19.25	-21.21	8.22	10.62
Average Investable HF Indices	0.89	1.70	4.63	16.68	-23.59	6.62	9.84

Investable Hedge Funds Indices	Apr	Mar	YTD	2009	2008	2007	2006
Replication Indices	0.20	1.70	0.68	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 **1.17**

Average Investable HF Indices Last Month **0.89**

Industry News

Number of hedge funds increased in Q1 2010 according to HFR

Based on figures released by HedgeFundResearch, the global number of hedge funds during the first quarter of 2010 increased from 9'045 to 9'059. This small increase was the first quarterly rise since Q2 2008. Net asset flow was also positive, and total assets under management in the global hedge fund universe increased to USD 1'668bn on 31 March 2010 from USD 1'600bn at the end of 2009.

New York Sues Madoff Feeder Ivy

New York Attorney General Andrew Cuomo has sued fund of hedge funds shop Ivy Asset Management, alleging that the

firm failed to warn clients about its concerns over Bernard Madoff's operations.

Virginia Pension System rebalances funds of hedge funds

A pair of funds of hedge funds is the beneficiary of a Virginia pension's rebalancing act. The Fairfax Educational Employees' Retirement System will invest an additional USD 16mn with Grosvenor Capital Management and USD 12mn with Permal Investment Management. The move, at the recommendation of its consultant, NEPC, will both return Fairfax to its 5% hedge fund allocation and leave the two funds of funds managing roughly equal sums for the plan.

Advisors/People News

Man Group buys GLG Partner

Hedge fund firm Man Group PLC has agreed a deal to buy rival GLG Partners giving it a much needed boost in efforts to break the U.S. and creating a new giant in an industry reshaping after the financial crisis. Man Group, already the world's largest listed hedge fund manager, said on Monday it has negotiated a recommended deal which values GLG at about USD 1.6bn. The combined group will have assets of about USD 63bn.

Gottex Assets Fall

Gottex Fund Management CEO Joachim Gottschalk may be confident that inflows are coming to his firm. But there was no sign of them in the first quarter. The Swiss fund of hedge

funds shop said today that its fee-earning assets dropped 2.6% on investor redemptions, despite positive performance. All told, the firm's assets fell by 2.5% to USD 7.9bn as Gottex continues to liquidate its asset-based funds.

New Mexico Pension hires fund of hedge funds

The New Mexico Educational Retirement Board is moving ahead with the restructuring of its alternative investments portfolio, hiring a new fund of hedge funds. The USD 8.7bn pension has hired GAM Trading to run a USD 150mn absolute-return portfolio, Pensions & Investments reports. NMERB had cut ties with its existing funds of funds, Austin Capital and Deutsche Bank's Topiary business, going so far as to sue the former over losses suffered in the Bernard Madoff Ponzi scheme.

Product News

Reyl Asset Management enters the seeding business

RAM, the Asset Management arm of the Geneva-based wealth management firm Reyl & Cie, launched the Reyl Accelerator Fund, a new Irish fund of hedge funds that specialises in seed and early stage investments in hedge funds. The fund will be advised by FRM Capital Advisors. Designed by Fabrizio Ladi Bucciolini, Head of Alternative Investments at Reyl Asset Management, the Reyl Accelerator Fund will provide seed capital to emerging hedge fund managers selected by FRM Capital Advisors.

Arden opens JPMorgan-seeded funds of funds to outside capital

The USD 8bn firm, which launched three funds of funds with seed money from JPMorgan, is now marketing its funds for the first time. Arden, which has USD 8bn under management, has opened three of its new funds of hedge funds to outside investors for the first time.

BrunnerInvest launch liquid fund of hedge funds

BrunnerInvest launched a new fund of hedge funds earlier this month. The fund is part of a new generation of funds of

hedge funds investing solely in liquid strategies such as long-short equity and managed futures. The dynamic asset allocation allows a low or negative correlation in equity bear markets whereas in bull markets the participation is significant. The new fund is a liquid substitute for multi-strategy funds of hedge funds which have been struggling because of liquidity issues during the last downturn.

LGT Capital Partners launches managed futures Ucits fund

LGT Capital Partners is launching its Crown Managed Futures Ucits Fund to offer a broader range of investors access to its flagship managed futures strategy. Similar to the flagship fund, it will provide exposure to hedge fund managers trading commodities, equities, fixed income and foreign exchange. Exposure will be achieved via a Ucits eligible index of currently 15 managed accounts, which provide full position transparency and high liquidity.

Navellier targets liquidity and transparency fund of hedge funds

Navellier Hedge Management, Inc., announced the launch of Navellier Select, L.P. The firm's first fund of funds offering is a dynamically managed portfolio of hedge funds that pursues diverse managers, strategies, and asset classes across liquid global markets. The portfolio consists of 7-12 uncorrelated funds.

Artemis launches fund of hedge funds

It took about a month, but Toronto based Artemis Investment Management Ltd., which offers alternative investments to qualified buyers and accredited investors, dropped the other shoe yesterday. As a result, the investment manager has launched the Pine Street Canada LP, the Canadian version of a fund of funds hedge fund that has been available to U.S. investors since 1994 and that is home to about USD 140mn in assets.

Academic/Research

Locked up by a lockup: Valuing liquidity as a real option

Ang, Bollen

Hedge funds often impose lockups and notice periods to limit the ability of investors to withdraw capital. They model the investor's decision to withdraw capital as a real option and treat lockups and notice periods as exercise restrictions. Their methodology incorporates time-varying probabilities of hedge fund failure and optimal early exercise. They estimate a two year lockup with a three month notice period costs approximately 1% of the initial investment for an investor with CRRA utility and risk aversion of three. The cost of illiquidity can easily exceed 10% if the hedge fund manager can arbitrarily suspend withdrawals.

Side-by-side management of hedge funds and mutual funds

Nohel, Wang, Zheng

They examine situations where the same fund manager simultaneously manages mutual funds and hedge funds. They refer to this as side-by-side management. They document 344 such cases involving 693 mutual funds and 538 hedge funds. Proponents of this practice argue that it is essential to hire and retain star performers. Detractors argue that the temptation for abuse is high, and the practice should be banned. Their analysis based on various performance metrics shows that side-by-side mutual fund managers significantly outperform peer funds, consistent with this privilege being granted primarily to star performers.

Interestingly, side-by-side hedge fund managers are at best on par with their style category peers, casting further doubt on the idea that conflicts of interest undermine mutual fund investors. Thus, they find no evidence of welfare loss for mutual fund investors due to exploitation of conflicts of interest.

The role of hedge funds as primary lenders

Agarwal, Meneghetti

They examine the role of hedge funds as primary lenders to corporate firms. They investigate both the reasons and the implications of hedge funds' activities in the primary loan market. They examine the characteristics of firms that borrow from hedge funds and find that borrowers are primarily firms with lower profitability, lesser credit quality, and higher asymmetric information. Their results suggest that hedge funds serve as lenders of last resort to such firms that may find it difficult to borrow from banks or issue public debt. They also examine the effect of hedge fund lending on the borrowing firms and find that borrowers' profitability and creditworthiness improve subsequent to the loan. This beneficial effect of hedge fund lending is corroborated by their finding of positive abnormal returns for borrowers' stocks around the loan announcement date. Overall, their findings are consistent with hedge funds adding value through their lending relationships and financial markets perceiving these activities as good news for the firms.

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.

This document is for informational purpose 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 bases 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 necessarily an indication of future performance. All information in this newsletter is for educational and informational purposes and does not constitute investment, legal, tax or accounting advice.