

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	Sept	Aug	YTD	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	2.20	0.06	1.70	10.67	-19.72	10.07	11.25
HFRI FoHF Composite Index	2.34	0.13	2.01	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index	-	0.08	0.13	10.34	-17.05	8.68	9.11
InvestHedge Composite	2.12	0.11	1.84	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	1.54	0.14	1.10	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	2.22	0.15	1.59	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	2.03	-0.04	1.17	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD	-	0.06	-1.37	8.61	-19.84	10.99	9.81
UCITS Alternative Index Fund of Funds	-0.31	-0.35	-1.49	1.65	-12.01	-	-
Greenwich Global Fund of hedge funds Index	2.64	-0.05	1.87	12.17	-21.77	9.58	9.50
Average FoHF Indices	1.85	0.03	0.86	9.37	-19.08	9.66	9.85

Investable Hedge Funds Indices	Sept	Aug	YTD	2009	2008	2007	2006
CS/Tremont Blue Chip Index	3.38	0.19	11.20	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	1.72	0.17	1.90	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	2.23	0.12	2.58	19.25	-21.21	8.22	10.62
Greenwich Investable Strategy Indices	-	0.29	-0.56	4.28	-18.06	3.20	10.71
Average Investable HF Indices	2.44	0.19	3.78	13.58	-22.21	5.77	10.06

Replication Indices	Sept	Aug	YTD	2009	2008	2007	2006
Hedge Fund Replication Index	2.10	0.10	2.23	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 1.85
Average Investable HF Indices Last Month 2.44
Industry News
Citi launches technology platform for funds of hedge funds

Citi's global transaction services unit has launched a global technology platform specifically designed for servicing funds of hedge funds. The new service, which integrates into Citi's global operating platform for hedge fund services, enables Citi to provide a suite of fund of hedge fund solutions through a single front-to-back online service. Citi entered into an agreement with youDevise to license the platform. youDevise is the developer of an online platform used by fund of hedge funds and administrators for front, middle and back office management information.

LACERA seeks first fund of hedge funds manager

The Los Angeles County Employees' Retirement Association (LACERA) is looking for a fund of hedge funds manager, Pensions & Investments reports. The pension fund will issue a request for information for the mandate, which is expected to be around USD 300-350mn, within the next few months. The minimum qualifications required for the mandate are still being considered by the board. Investment in the new fund of funds will be made from the equities portfolio of the USD 35bn public pension scheme.

Advisors/People News

Larch Lane and Cabrera form fund of hedge funds joint venture

Cabrera Capital Partners and Larch Lane Advisors have established a joint venture that will offer fund of hedge funds portfolios to institutional investors. Cabrera Multi-Manager Investments plans to launch its multi-strategy product in January 2011. The portfolio will include 30-35 underlying hedge funds across multiple strategies, including a significant number of early stage managers.

Silver Creek Capital Management expands global investment team

Silver Creek Capital Management LLC today announced that it has added four experienced investment and business development professionals to the firm's global team: Carter Weil, former Director of the Americas Institutional Sales team for Russell Investments' manager of managers platform, Petter von Heidenstam, former Nordic Region business development executive for Aviva Investors. Christian McFadden and Kelsey Schreck have joined Silver Creek as Senior Research Analysts and will support the firm's investment research, portfolio construction and risk analysis processes.

Ex-fund of hedge funds executive sues ACPI over 'Bullying'

The former chief investment officer at ACPI Investments' fund of hedge funds unit has leveled the charge at his former employers, who he claims were trying to stiff him on his bonus. Stephen Greene has sued ACPI, alleging the firm "bullied, harassed and threatened" him. Alok Oberoi, the former Goldman Sachs partner who set up ACPI predecessor ACP Partners, told Greene "that he would like to throw the claimant through the fourth-floor glass window of Oberoi's office" and threatened to assault him while "acting out the process of punching and slapping," Greene alleges.

Hermes fund of hedge funds adds Caliburn's Kisielewski

Hermes Fund Management's fund of hedge funds joint-venture has hired hedge fund veteran Pawel Kisielewski to join its business development team. Kisielewski has been named a partner at Hermes BPK Partners. He joins from Caliburn Capital Partners, where he was also a partner and headed the hedge fund's client development efforts. He also

covered absolute return fund clients while working on Merrill Lynch's global technology sales desk.

Neuberger Berman adds Goldman fund of hedge funds distribution chief

Neuberger Berman Group has hired a Goldman Sachs fund of hedge funds distribution executive to oversee its own intermediary distribution efforts. Scott Kilgallen was head of third-party distribution for Goldman Sachs Asset Management's North American subadvisory, retirement services, middle-market corporate and fund of hedge funds business. At GSAM, Greg Wilson has taken over Kilgallen's fund of funds responsibilities.

Harcourt Investment Consulting AG enters strategic partnership with Daewoo Securities

Swiss fund of hedge funds firm, Harcourt Investment Consulting AG, signed a strategic partnership agreement with Korea's Daewoo Securities. The basis of the agreement is to mutually co-operate on the sales and marketing of various Harcourt fund of hedge funds products to prospective Korean investors, as well as providing alternative investment advisory services to institutions including pension funds.

Hedge fund seeder wins stake in PAAMCO

A federal court judge said the hedge fund manager who seeded the owners of a start-up fund of hedge funds firm may have structured it to make it appear as though it was woman-owned in order to attract investors. But the fact that hedge fund seeder S. Donald Sussman might not have a clear majority stake in California-based Pacific Alternative Assets Management Co. (PAAMCO) did not stop Judge Richard Sullivan from offering his opinion that the loan transactions could have been designed to "mislead a number of observers, from the tax authorities to the SEC to entities wishing to invest in women-owned businesses."

EIM adds due diligence chief

Swiss fund of hedge funds firm EIM has nabbed a Nomura alternative investments executive to lead its due diligence efforts. John Ward will join EIM in New York on November 8 as head of operation due diligence. Most recently, he was chief operating officer of alternative products at Nomura Funds Research & Technologies America.

Product News

Swiss Life to give up Castle AI Stake

Fund of hedge funds firm, Castle Alternative (Castle AI), will restructure and lower capital with the exit of its biggest shareholder, Swiss Life, Hedge Funds Review reports. Swiss Life, which holds 49% of Castle AI's capital in 18.8 million shares, will surrender its shareholding and gain an equal percentage shareholding in Castle AI Ireland. The Irish unit is currently wholly owned by Castle AI's Cayman subsidiary. As part of the restructure, the Irish subsidiary will become an open-end qualifying investor fund owned by Castle AI Cayman and Swiss Life. Castle AI's share capital will reduce from USD 191.6mn to USD 98mn as a result of the restructure.

Blackstone readies fund of former proprietary traders' hedge funds

The Blackstone Group's fund of hedge funds unit has struck upon a new business line: seeding former proprietary traders' new hedge funds. Blackstone Alternative Asset Management plans to launch a fund dedicated to seeding traders chased from banks by the newly-enacted Volcker rule, which bars proprietary trading. The new vehicle could close as soon as next month, Reuters reports.

Simple Alternatives launches fund of hedge funds in mutual fund format

Mutual fund manager Simple Alternatives launched its first investment, an institutional fund of hedge funds mutual

fund, said Bruce MacDonald, the firm's chief investment officer. The fund offers daily liquidity with no redemption notice required, and full portfolio transparency, which Mr. MacDonald said were two attributes prized by the institutional investors Simple Alternatives is targeting. The equity-oriented fund invests in a concentrated portfolio of between 8 and 10 underlying hedge funds.

Man brings award-winning equity team onshore to manage UCITS fund of hedge funds

UK hedge fund giant, Man Group, has announced the launch of its latest UCITS III offering; the Man Long/Short Europe. "We seeded it a couple of months ago," says Mark Chambers, Head of Sales Management Europe. "Current AUM is EUR 15mn." Unlike other equity UCITS fund of funds, Man L/S Europe will invest in the full universe of European L/S fund managers, including those offshore. The portfolio will include 8 to 12 managers.

Amundi launches UCITS fund of hedge funds

Amundi Alternative Investments has moved into the multi-manager UCITS world with the launch of a fund of hedge funds investing in UCITS-compliant long/short equity and equity arbitrage strategies. The Amundi Funds Multimanagers Long/Short Equity fund is UCITS compliant and is a sub-fund of Amundi's Luxembourg-domiciled umbrella SICAV. The fund will aim for returns of EONIA plus 5% a year with volatility of 8%.

Academic/Research

Are hedge funds systemically important?

Brown, Green, Hand

Anecdotal reports have implicated hedge funds as contributors to the financial crisis of fall 2008. Using a proprietary and unusually comprehensive database of hedge fund returns, they attempt to identify abnormal performance consistent with opportunistic trading (e.g., bear raids) or synchronized actions (e.g., widespread forced liquidations) that could generate systemic risk. They find no evidence that

hedge funds benefited from opportunistic trading. In contrast, some funds operating with strategies that commonly utilize leverage - convertible arbitrage, event-driven, and fixed income - performed significantly worse than would be expected given ex ante risk-factor loadings. This suggests that forced liquidations probably caused some funds to sell into a falling market at fire sale prices. However, the distribution of abnormal returns suggests that this was not a pervasive problem. Furthermore, under-performance was not concentrated in specific funds that use

leverage. These results suggest any new policies regulating hedge funds should focus on certain fund-level risks instead of strategy or industry risks.

Value at Risk and Hedge Fund return: does high risk bring high return

Jing, Zhao

This paper mainly focuses on the correlation between live hedge funds return and their value at risk (VaR), which is based on the historical data from May 2000 to April 2010. The authors adopt portfolio level analyses and fund level cross-sectional regression, and find that there is significant positive correlation, both statistically and economically, between the hedge fund return and VaRs (parametric, non-parametric and GARCH). Further research is conducted by sub-dividing the overall period into pre-Financial-Crisis and Financial Crisis, and demonstrates that this correlation holds in both periods but weakens in the Financial Crisis. Besides, the authors identify the approximately negative correlation between hedge fund portfolio return and increase in VaR, and develop an effective method of selection.

Liquidity risk and the size performance relationship in the hedge fund industry

Shawky, Wang

This paper examines the influence of liquidity risk on the size-performance relationship in the hedge fund industry. Using data from the Lipper/TASS hedge fund database over the period 1994-2008, they document a significant negative relationship between hedge fund size and performance. Small hedge funds, on average, outperform large hedge funds by 3.8% per year after adjusting for Fung and Hsieh (2004) seven risk factors. When liquidity risk is accounted for, they find that for high liquidity risk hedge funds, small funds outperform large funds by an average of 9.5% per year, and for low liquidity risk funds of hedge funds, large funds outperform small funds by an average of 8.4% per year. The results provide strong support for the hypothesis that hedge fund size erodes performance because of price impact and trading costs associated with liquidity risk.

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:

- Selection and monitoring of funds of hedge funds to achieve optimal results within your overall portfolio.
- Single recommendation of fund of hedge funds to cover a specific strategy (e.g. commodity) or another specialization.

- Optimize the fee structure of your existing fund of hedge funds investments.
- Develop, document and manage a matrix of funds of hedge funds to provide your clients a range of investment opportunities.

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