

Performance Update all data in %

Fund of Hedge Funds Indices	August	July	YTD	2007	2006	2005	2004
EDHEC Fund of Funds Index	-1.50	-2.64	-6.01	10.07	11.25	6.80	7.07
HFRI FoHF Composite Index	-1.39	-2.70	-6.35	10.26	10.39	7.49	6.86
CISDM Fund of Funds Index	-	-2.27	-3.59	8.68	9.11	6.47	7.12
InvestHedge Composite	-	-2.32	-3.54	8.68	8.67	7.07	6.15
Altvest Sub-Index: Fund of Funds	-1.69	-2.58	-6.23	8.63	10.24	7.68	7.39
Eurekahedge Fund of Funds Index	-1.58	-2.57	-6.23	10.21	10.38	7.92	7.00
HFN Fund of Funds Aggregated Average	-1.52	-2.43	-5.87	9.27	9.60	6.81	6.89
Barclay / Global HedgeSource FoF Index	-1.45	-2.71	-6.55	8.86	9.38	6.91	6.65
Average FoHF Indices	-1.52	-2.53	-6.21	9.33	9.88	7.14	6.89

Investable Hedge Funds Indices	August	July	YTD	2007	2006	2005	2004
CS/Tremont Investable HF Index	-0.82	-2.57	-4.26	7.42	9.65	3.61	5.31
DJ Hedge Fund Balanced Portfolio Index	-0.69	-1.56	-3.96	7.54	9.94	1.60	-
MSCI Hedge Fund Invest Index	-1.35	-2.60	-7.39	3.61	7.63	4.68	3.10
HFRX Global Hedge Fund Index	-1.28	-2.82	-5.05	4.23	9.26	2.72	2.69
FTSE Hedge Index	-1.78	-2.61	-11.66	0.62	6.28	2.60	3.12
Average Investable HF Indices	-1.18	-2.39	-6.46	4.68	8.55	3.04	3.56

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

Average FoHF Indices Current Month **-1.52%**

Average Investable HF Indices Current Month **-1.18%**

Portfolios of Funds of Hedge Funds	August	July	YTD	2007	2006	2005	2004
PrimFund Diversified (net of fees)	-0.89	-1.63	-2.11	8.53	9.54	7.78	8.39
PrimFund Growth (net of fees)	-2.33	-2.84	-7.61	13.84	13.85	9.38	15.69
PrimFund Tactical (net of fees)	-1.67	-2.30	0.58	13.05	18.87	14.49	-
PrimFund Opportunity (net of fees)	-2.15	-4.32	-13.56	10.30	22.12	17.02	17.13

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
Funds of funds Q2 redemptions up

Funds of funds experienced net redemptions during the rocky second quarter of 2008, according to a new report from HedgeFund.net. Existing fund of hedge funds products took in USD 650mn of investor money during the second quarter, which was the third lowest inflow on record, according to HFN's Asset Flow Report Q2 2008. But with liquidations and redemptions being USD 1.12bn greater than fund launches, the result was that USD 470mn of investor assets went out of the asset class during the second quarter. The majority of investor withdrawals came from multi-strategy fund of hedge

funds, USD 4.15bn, while single strategy fund of hedge funds saw new allocations of USD 4.17bn. Performance gains, however, caused total fund of hedge funds assets to increase during the second quarter, according to the report. Gains of an estimated USD 34.54bn helped lift the asset class' total assets 2.43% to USD 1.439tn.

Largest hedge fund managers control assets near USD 1.7tn

The largest U.S. hedge fund firms managed combined assets of USD 1.675tn as of July 1, according to Absolute Return magazine. Since January, 35% of the firms have

lost assets, giving an overall six-month growth rate of 4.34%, the lowest in six years. Absolute Return's biannual survey of U.S. hedge funds assets, the Billion Dollar Club, now includes 268 firms, each managing more than USD 1bn, up from 262 in January. JPMorgan Asset Management (including Highbridge Capital Management) continued to lead the ranking with USD 48.1bn under management, an increase of 7.61% since January. Bridgewater Associates came in second with USD 43.5bn, an increase of 20.83%. Rounding out the top five, D.E. Shaw Group jumped to third from sixth place, with USD 37.1bn, and Paulson & Co, with USD 34.9bn, jumped to

fourth place from eighth place in January. Och-Ziff Capital Management remained at fifth place, with USD 33.3bn. Of the top ten firms, those with the biggest decline in assets include sixth-ranked Farallon Capital Management, which fell by 8.33%, Renaissance Technologies, which experienced a 14.71% decline, and Goldman Sachs Asset Management, with a 7.88% decline. Harbinger Capital Partners, with USD 24bn and a 33.86% increase in assets, joined the top ten firms for the first time. The top ten control nearly USD 337bn in combined assets, compared with USD 320bn in January and USD 309bn in July 2007.

Advisors/People News

Pioneer loses nine professionals

Pioneer Alternative Investments says the resignation of nine members of its fund of hedge funds division in London and New York, including senior members of the investment team Mark Barker and Greg Knott, will not have a significant adverse impact on the business. Pioneer, part of Italy's UniCredit group, entered the fund of hedge funds market six years ago with its acquisition of the Momentum group. Since then, the portfolio manager and research teams have grown from five at the time of the acquisition to around 30 investment professionals.

Russell Investments winds down three of its four fund of hedge funds

The funds Russell is closing, which focused on institutional investors, are gradually returning principal to clients, although when all the money will be reimbursed is unclear. The funds of funds' assets shrank to less than USD 2bn from USD 6bn since last year. Shutting down are seven-year-old Russell Alternative Strategies Fund, which had USD 3bn in assets as of mid-2007, and four-year-old Russell Alternative Strategies Fund II, with USD 2.2bn. The firm also is winding down Russell Diversified Alternatives Fund, which began in 2003 and had USD 622mn as of last summer. That will leave Russell with one small fund of funds -- the US 101mn Russell Global Directional Strategies, which made its debut last year.

Peak Partners appoints new CIO

Nikhil Jhangiani will become the new Chief Investment Officer (CIO), replacing Mr. Ernesto Prado who, after his positive contribution to the growth of Peak Partners SA, left to pursue other interests. Jhangiani has been a Director and member of the Investment Committee of Peak Partners since its creation. He will also continue to be the investment manager of the Mont Blanc Alternative Strategy Fund together with a long standing segregated account advised by the firm.

Cogo Wolf Asset Management adds analyst

Cogo Wolf Asset Management, a multi-asset hedge fund of hedge funds firm announced that Alan J. Andreini, Jr. has joined the firm as an analyst. In this position, Andreini will assist the firm in judiciously growing the firm's global client base and supporting the servicing of clients and consultants.

Castlestone Management appoints Alexander Traub to open new Singapore office

Castlestone Management, the fund manager known for its alternative investments such as the Aliquot suite of commodity funds, has announced it is expanding its Asian presence with the opening of its first office in Singapore. The New York-based investment specialist has appointed Alexander Traub to the position of Director of Business

Development (South East Asia). Alexander has been in the financial services business in Asia for the past seven years, initially with a regional brokerage serving private clients in Hong Kong and then in Shanghai. Thereafter he set up

a wealth advisory firm operating out of Europe and the Far East concentrating on medium to high net worth private clients.

Product News

GAM launches systematic trading fund of hedge funds

GAM has broadened the investment reach of its systematic trading fund of hedge funds. The GAM Multi-Systematic Trading fund, which holds between five to eight trend and non-trend hedge funds, is designed to have minimal correlation with traditional asset classes. It has only been available on a private placement basis since it was launched two months ago by GAM investment director David Smith and co-manager Arvin Soh. To date the fund has raised £ 23mn. Smith and Soh construct the portfolio using a disciplined investment process, which blends sophisticated quantitative modelling and qualitative judgement.

Parker Global Strategies launching energy infrastructure fund

Parker Global Strategies announced the launch of its USD 500mn PGS High Income Trust fund of funds formed to

invest in the US energy infrastructure. The Fund will invest in natural gas and crude oil pipelines, refined products, and storage tanks and will be the firm's second foray into the energy and natural resources space.

Absolute Return Partners launches ABL fund

Absolute Return Partners LLP launched its fifth fund, the ARP Private Finance Fund, on 1 September 2008. The fund is designed to take advantage of the cyclical and secular opportunity in the Asset Based Lending (ABL) market. Due to the current credit crisis and Basel II regulations, banks and other traditional lenders have retracted from the loan market. As a result, hedge funds are increasingly taking market share from these institutions whilst at the same time obtaining better security against loans made as well as higher yields. With only USD 12bn out of a USD 400bn market financed by hedge funds, there are plenty of opportunities for hedge funds to grow in this space.

Academic/Research

Performance of emerging market hedge funds in their geographical focus

Kotkatvuori, Nikkinen, Peltomaki

Emerging market hedge funds are an asset class which does not seem to outperform the market benchmarks although a significant amount of the funds show superior performance. In this study, they examine whether funds selected on their geographical focus are able to beat their benchmarks, and show aggregate market timing ability in

their focus market. Their results suggest that emerging market hedge funds are able to beat their benchmarks but do not show market timing ability. In conclusion, emerging market hedge funds are an asset class in which unskilled managers seem to infiltrate to earn fees but investors can mitigate this problem by investing in emerging market hedge funds which have a defined geographical focus.

The performance of funds of hedge funds: Do experience and size matter?

Füss, Kaiser, Strittmatter

This paper is the first to use quantile regression to analyze the impact of experience and size of funds of hedge funds (FHF) on performance. In comparison to OLS regression, quantile regression provides a more detailed picture of the influence of size and experience on FHF return behavior. Hence, it allows them to study the relevance of these factors for various return and risk levels instead of average return and risk, as is the case with OLS

regression. Because FHF size and age (as a proxy for experience) are available in a panel setting, they can perform estimations in an unbalanced stacked panel framework. This study analyzes time series and descriptive variables of 649 FHF's drawn from the Lipper TASS Hedge Fund database for the time period January 1996 to August 2007. Their empirical results suggest that experience and size have a negative effect on performance, with a positive curvature at the higher quantiles. At the lower quantiles, however, size has a positive effect with a negative curvature. Both factors show no significant effect at the median.

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