

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	August	July	YTD	2009	2008	2007	2006
EDHEC Fund of hedge funds Index	0.02	0.69	-0.53	10.67	-19.73	10.07	11.25
HFRI FoHF Composite Index	0.03	0.78	-0.40	11.46	-21.37	10.25	10.39
CISDM Fund of hedge funds Index	-	0.60	0.05	10.34	-17.04	8.68	9.11
InvestHedge Composite	-0.13	0.57	-0.52	9.21	-17.13	8.84	9.11
Eurekahedge Fund of hedge funds Index	0.12	0.65	-0.54	9.78	-19.79	10.36	10.48
HFN Fund of hedge funds Aggregated Average	0.48	0.56	-0.30	9.56	-19.97	9.27	9.60
Barclay / Global HedgeSource Fund of hedge funds Index	0.24	0.67	-0.56	10.24	-22.18	8.86	9.38
Hedgagate Swiss FoHF Index USD	-	0.65	-1.43	8.61	-19.84	10.99	9.81
Average FoHF Indices	0.13	0.65	-0.40	10.18	-19.63	9.67	9.89

Investable Hedge Funds Indices	August	July	YTD	2009	2008	2007	2006
CS/Tremont Blue Chip Index	0.11	2.04	7.48	17.38	-26.31	7.42	9.65
HFRX Global Hedge Fund Index	0.17	1.23	0.18	13.40	-23.25	4.23	9.26
RBC Hedge 250 Index	0.17	0.87	0.40	19.25	-21.21	8.22	10.62
Average Investable HF Indices	0.15	1.38	2.69	16.68	-23.59	6.62	9.84

Replication Indices	August	July	YTD	2009	2008	2007	2006
Hedge Fund Replication Index	0.10	1.70	0.13	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 **0.13**

Average Investable HF Indices Last Month **0.15**

Industry News

Vermont invests USD 150m in funds of hedge funds

The Vermont State Retirement System has made its first hedge fund hires. The USD 3bn pension fund last week allocated 5% to hedge funds, and quickly picked three firms to fill that allocation, Pensions & Investments reports. Vermont awarded USD 60mn mandates to Grosvenor Capital Managements multi-strategy Institutional Partners fund and Permal Investment Management's Fixed-Income Holdings Institutional fund, as well as about USD 30mn to GAM's U.S. Institutional Diversity fund. All three hires are still pending, with contract negotiations ongoing.

Blackstone tops rankings as funds of hedge funds industry stalls at USD 595bn

The global fund of hedge funds industry, as represented by the largest players, saw a small decline in overall assets of 0.6% in the first half of 2010. This asset decline is in line

with the average funds of hedge funds performance for the same period, according to the latest survey of the InvestHedge Billion Dollar FOHF Club. The largest funds of hedge funds – those with more than USD 1bn in assets under management – now control a combined amount total of USD 595bn in assets, according to the six monthly 2010 asset flow survey carried out by InvestHedge, a publication about investors in hedge funds.

SEC examines funds of hedge funds

The Securities and Exchange Commission is examining whether firms that collect fees for funneling investors into hedge funds are properly overseeing client money and dealing with potential conflicts of interest, people familiar with the matter said. The inquiry has identified about a dozen investment-advisory firms for questioning but could expand, according to people familiar with the matter, making it one of the SEC's broadest examinations ever of

funds of hedge funds and advisers specializing in hedge funds.

Fund of hedge funds shutdowns lowest in two years

Funds of hedge funds closures globally dropped to the lowest level since the first quarter of 2008 in the three months to

June, according to Chicago-based industry data provider Hedge Fund Research Inc. The number of liquidations of funds that farm out money to hedge funds fell to 54, it said in an e-mailed statement. The global financial crisis led to the closure of more than 800 funds of hedge funds, cutting the total number to 2'100 by June.

Advisors/People News

3A CEO Keller quits

Jean Keller, CEO of fund of hedge funds 3A, has resigned to join a boutique asset management firm. Keller has led the fund of funds arm of Swiss private bank Syz & Co. for five years, more than quadrupling its assets during his tenure and extending its reach outside of Switzerland. Keller, the brother of Lombard Odier Darier Hentsch CEO Hubert Keller, will remain on several of 3A's boards, Financial News reports. Syz co-founder and Chairman Eric Syz will replace Keller on an interim basis. Keller plans to join Argos Managers as CEO in February, when his non-compete agreement expires.

Luke Ellis heading Man's multi-manager business

Man Group has appointed Luke Ellis as head of the company's multi-manager business. Ellis was most recently non-executive chairman of GLG Partners' multi-manager business and manager of the GLG Multi Strategy Fund. Until 2008 he was managing director at Financial Risk Management (FRM). Ellis succeeds Herbert Item who is retiring. He will take up his new role when the proposed acquisition of GLG by Man closes or terminates.

French fund of hedge funds Altigefi sold

Private bank Sal. Oppenheim has sold its French fund of hedge funds business to Olympia Capital Management. Terms of the deal for Altigefi were not disclosed. The sale comes as Luxembourg-based Oppenheim quits France; Altigefi's four Altipro funds of hedge funds will continue, but Sal. Oppenheim France's long-only funds will be liquidated. Oppenheim was acquired by Deutsche Bank six months ago.

UBS hires fund of hedge funds chief

UBS has made a hire in for its fund of hedge funds team. The Swiss bank has brought back Bruce Amlicke to head its

Alternative Investments Solutions (AIS) fund of funds unit. Amlicke helped found the USD 20bn unit during his first stint with UBS and O'Connor & Associates; he left UBS in 2004 to join the Blackstone Group. Amlicke left Blackstone early last year. In addition to leading AIS, he will serve as co-chief investment officer of UBS Global Asset Management with Rick Nardis. Current co-CIO William Brown has taken on a hedge fund research role.

Gottex announces 13% drop in AUM with continued outflows

Fund of hedge funds company Gottex has confirmed a 13% drop in assets under management (AUM) during the first half of 2010, with total AUM now standing at USD 6.8bn. The reduction from USD 7.8bn at the end of December 2009 was due to a combination of investor redemptions, run-offs in Gottex's market neutral and directional strategies, performance losses and foreign exchange impacts.

Frogg to join EIM as President

Switzerland-based EIM SA hedge fund of fund group has recently announced a change in leadership. The firm has brought aboard Jan-Erik Frogg this month as President of its executive committee. Earlier this summer, Frogg stepped down from his position at Union Bancaire Privee (UBP), where he had headed up the company's hedge fund advisory group. Earlier in his career, Frogg was with Agora Capital Management and Goldman Sachs.

Stenham acquires Montier Partners to create USD 3.5bn fund of hedge funds house

Fund of hedge fund specialist Stenham Asset Management has acquired boutique discretionary management company Montier Partners, bringing total assets under management (AUM) to USD 3.5bn. Under the terms of the acquisition

Montier's founder Dominique Montier and chief investment officer Jeremy Alun-Jones will take equity stakes in Stenham. Montier's hedge fund and fund of fund range will eventually be renamed under the Stenham name.

Hedge fund Nexar buys Allianz fund of hedge funds unit

Hedge fund Nexar Capital Group has struck a deal for Allianz's fund of hedge funds business, giving the New York- and Paris-based firm a European fund of funds business. Terms of the agreement were not announced. Allianz Alternative Asset Management employs about 30, and will serve as a complement to Nexar's New York-based fund of funds business. The combined firm will boast more than USD 3bn in assets under management.

Matrix strengthens hedge fund division

Matrix Group, the UK financial services business, has bolstered its fund of hedge funds division with the

appointment of analyst Alkesh Chohan. Alkesh joins the five-strong team from TCP Asset Management, where he worked as an investment analyst for three years. He will be responsible for conducting due diligence on managers and developing existing relationships with fund managers and prime brokers.

Industry veteran Lovett launches emerging managers fund of hedge funds

After a dozen years in the alternative investments industry, Gena Lovett has launched her own fund of hedge funds shop targeting major institutional investors. Lovett, who remains a principal and chief operating officer of Alexandra Investment Management, where she manages the firm's day-to-day non-investment activities, has founded New York-based Little Wolf Capital. The emphasis will allow the firm to focus on building a stable of talented emerging managers, especially firms owned by women and minorities.

Product News

Ayaltis Acantias Offshore fund is launched

Ayaltis has launched the Ayaltis Acantias Offshore fund, a fund of hedge funds focused on undervalued assets in the stressed and distressed credit space. The fund aims to capture value in all credit markets investing across all seniority levels following through the current period of strong technical versus fundamental dislocations expected to last for the next few years. The fund is very concentrated, investing in between six and eight seasoned distressed credit hedge funds with proven investment skills, leadership, innovation and management talent.

Way Group launches Absolute Return Portfolio Fund

The Way Group has launched the Absolute Return Portfolio Fund, one of three new investment funds to use a new tiered performance fee structure. Manager Roderick Collins, founding member of Hasley Investment Management, will head up the fund. It will invest in quoted hedge funds and investment trusts of hedge funds deploying a range of strategies as well as in some distributor status hedge funds

and the growing range of absolute return funds available under UCITS III.

Clariden Leu to launch UCITS fund of hedge funds with Olympia Capital

Swiss Private Bank Clariden Leu is launching a UCITS fund of hedge funds on August 31st in association with hedge fund specialist Olympia Capital Management. The fund will be called Clariden Leu (Lux) Liquid Alternatives Fund. The aim of the fund is to invest in UCITS compliant funds across multiple alternative strategies, but it will naturally have a bias towards more liquid strategies such as equity long/short and global macro. As the UCITS universe grows, the fund range will be more diverse.

Shenzhen Rongzhi said to launch its first trust of trusts fund

Shenzhen Rongzhi Investment Consulting Co Ltd, a leading hedge fund research company in mainland China, said to join hands with China Resources SZITIC Trust to launch a trust of trust fund recently, according to Guangzhou Daily.

The trust of trust is aiming to select qualified hedge fund managers and invest in their products. Rongzhi Investment Consulting is running an industry information and research website covering all Chinese onshore hedge funds.

City Financial and Clontarf team up to launch Asia fund of hedge funds

London-based City Financial are tapping into Asia's growth story by launching the Cayman Island-domiciled City Financial Asian Absolute Growth Fund. Investment advisory firm, Clontarf Capital, will manage the fund of hedge funds, with Clontarf founder, Aoifinn Devitt acting as portfolio manager. The fund launched with just over USD 50mn. Ten managers have been selected for the portfolio, 9 of which are based in Hong Kong and Singapore.

Signet launches Dublin domiciled fund of hedge funds

Fund of hedge funds group Signet has launched a UCITS-compliant fund of hedge funds, domiciled in Dublin. The

Signet Multi-Strategy Fund has weekly liquidity and will allocate globally to around 15 UCITS-governed hedge funds. Available to investors in continental Europe and Asia, the fund will aim to deliver consistent, low-volatility returns largely uncorrelated with traditional markets.

Lakeview fund of hedge funds appoints Tony Lissuzzo as portfolio manager

Activist fund of hedge funds, Lakeview Investment Management, has appointed Tony Lissuzzo as Portfolio Manager of the Lakeview Opportunity Funds. Lissuzzo will be responsible for portfolio management as well as manager due diligence. Lissuzzo has been involved in multi-manager investments and portfolio management for nearly two decades, most recently as Head of New Investments at Man Group Plc.

Academic/Research

Do fund of hedge funds really add value? A post crisis analysis

Darolles, Vaissie

In spite of a somewhat disappointing performance throughout the crisis, and a series of high profile scandals, investors are showing interest in hedge funds. Still, funds of hedge funds keep on experiencing out-flows. Can this phenomenon be explained by the failure of funds of hedge funds' managers to deliver on their promise to add value through active management, or is it symptomatic of a move toward greater disintermediation in the hedge fund industry? Little attention has been paid so far to the added-value, and the sources of the added-value, of funds of hedge funds. The lack of transparency that is characteristic of the hedge funds arena and makes the performance attribution exercise particularly challenging is probably an explanation. The objective of this article is to fill in the gap. They introduce to this end a return-based attribution model allowing for a full decomposition of funds of hedge funds' performance. The results of their empirical study suggest that funds of hedge funds are funds of funds like others. Strategic Allocation turns out to be a crucial step in the

investment process, in that it not only adds value over the long-term, but most importantly, it brings resilience precisely when investors need it the most. Fund Picking, on the other hand, turns out to be a double-edged sword. Overall, funds of hedge funds appear to succeed in overcoming their double fee structure, and add value across market regimes, although to varying degrees and in different forms.

Benchmarking hedge funds: the choice of the factor model

Ammann, Huber, Schmid

There is still no consensus regarding a generally accepted factor model to assess risk-adjusted hedge fund performance. In this paper, they compare three alternative factor models: the widely used Fung and Hsieh (2004) seven-factor model, a recently proposed extension to an eight-factor model, and a model that selects the relevant risk factors based on a forward stepwise regression approach. Over a fairly long time period from 1994 to 2009, the differences in alphas resulting from the three alternative factor models are small. However, during crisis periods, such as the recent credit crisis, they find a substantial difference

in the alphas resulting from the Fung and Hsieh (2004) seven-factor model compared to the other two models. The emerging markets factor, which is included in the eight-factor model and is chosen by the stepwise-based model for 7 out of 11 hedge fund strategies, seems to capture a large part of hedge fund return volatility during crisis periods. Both the stepwise and the eight-factor model generate qualitatively similar results even on the strategy level. Unlike the stepwise-based factor model, the eight-factor uses the same set of risk factors for all hedge fund strategies. Given its much easier implementation, the eight-factor model seems to be a good choice for a broadly used factor model and a suitable successor for the widely used seven-factor model.

The future of hedge fund regulation: a comparative approach

Riviere

This paper provides a comparative overview of legal regimes applicable to hedge funds in five jurisdictions. It focuses primarily on the United States and explores four European Union member states' hedge fund regulations. The United

Kingdom, France, Germany and Italy have been chosen, for these countries are representative of the variety of legal frameworks that coexist within the European Union. It concludes that although systemic risk may be a legitimate concern, the investor protection argument is questionable. Part II explores what the future of hedge fund regulation could look like based on the different proposals that have been sketched out in the past few months. The European Union has introduced the controversial Directive on Alternative Investment Fund Managers ("AIFM") in April 2009 and the U.S. House of Representatives has enacted the Private Fund Investment Advisers Registration Act of 2009 ("PFIARA"). These recent proposals introducing more regulation are presented and discussed in Part II in which a lack of global coordination in attempts to reform hedge funds is also identified. Part III develops the idea that hedge funds do not need more but better regulation. The paper proposes a framework to assess whether more regulation is the answer and makes several suggestions as to what elements legislators should take into account in the costs/benefits analysis that should precede any attempt to introduce regulation.

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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