



Lessons Learned from the Madoff Fraud Case

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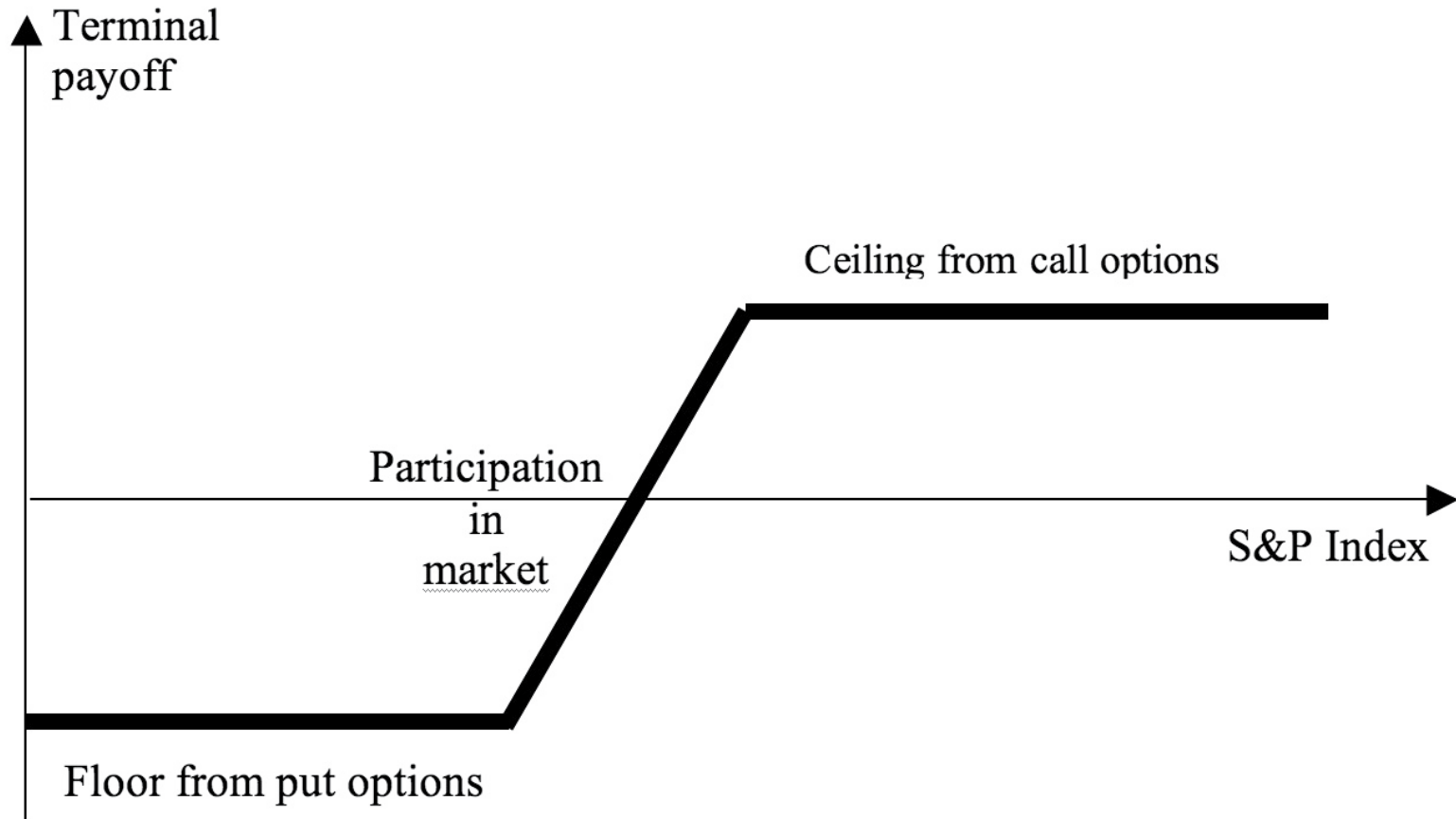
February 19, 2009



Agenda

- Madoff Specifics
- Alternative Markets Overview
- Alternatives Due Diligence
 - Critical
 - Different
- Diversification within Alternatives
 - Fund of Hedge Funds
- Alternatives Still Make Sense
- What Happens Going Forward?

Madoff Split-Strike Conversion Strategy



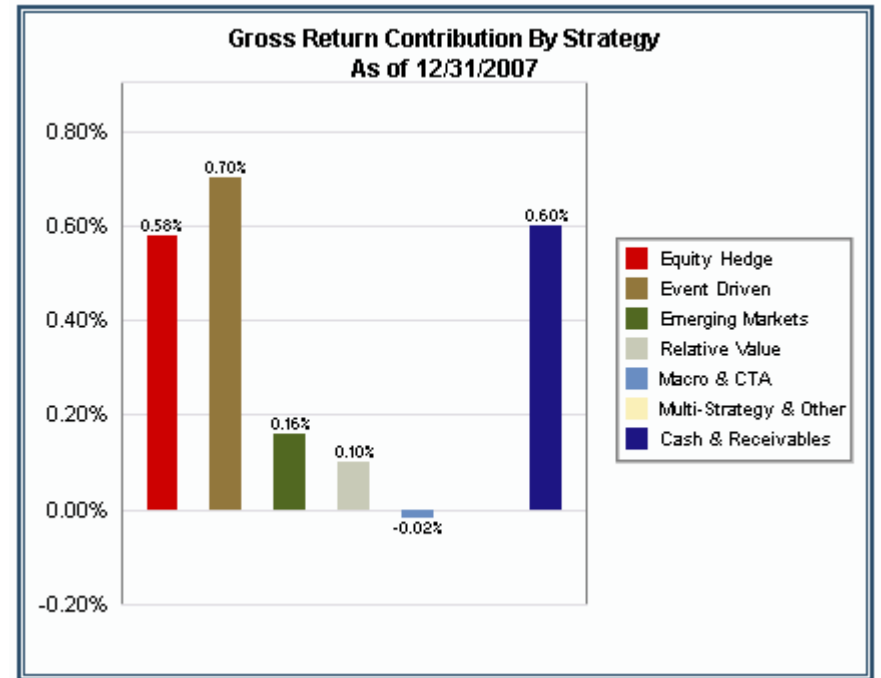
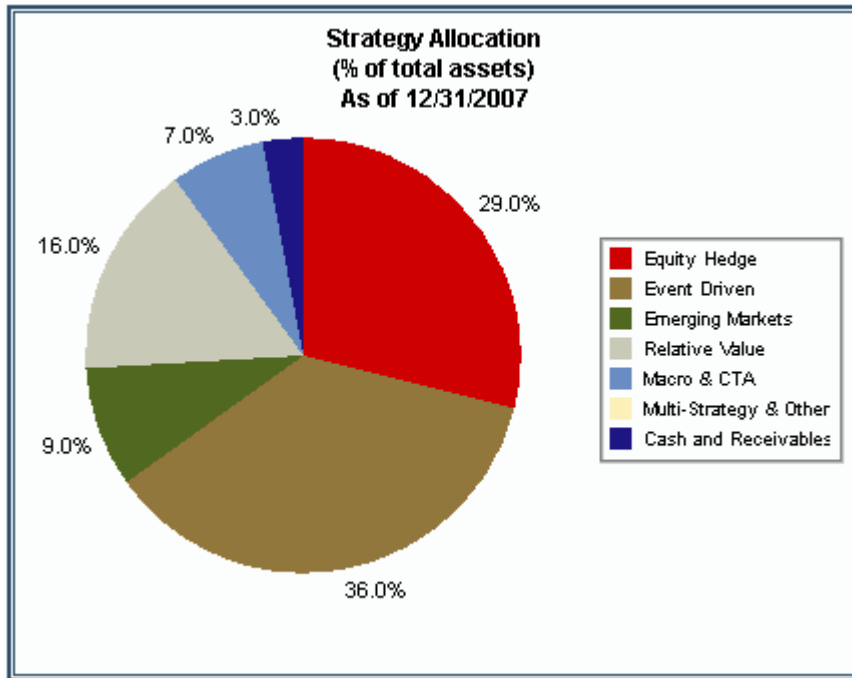
Fund of Fund Correlation

Hedge Fund Return and Risk Characteristics (1990-2008)

Index	Return	Risk	Draw	Sharpe	Correlation
S&P 500:	7.3%	14.6%	44.7%	0.31	1.00
HFRI Equity Hedge:	13.7%	9.2%	28.1%	1.05	0.70
HFRI Macro:	14.4%	7.9%	10.7%	1.30	0.35
HFRI Convertible Arbitrage:	6.9%	6.3%	36.0%	0.52	0.44
HFRI Equity Market Neutral:	8.0%	3.3%	8.5%	1.25	0.19
HFRI Fixed Income Arbitrage:	7.1%	6.7%	25.8%	0.52	0.52
HFRI Merger Arbitrage:	9.4%	4.4%	8.3%	1.25	0.53
HFRI Distressed:	12.1%	6.6%	26.7%	1.21	0.49

Relative to S&P 500 Index

Fund of Fund Strategy Allocation/Contribution



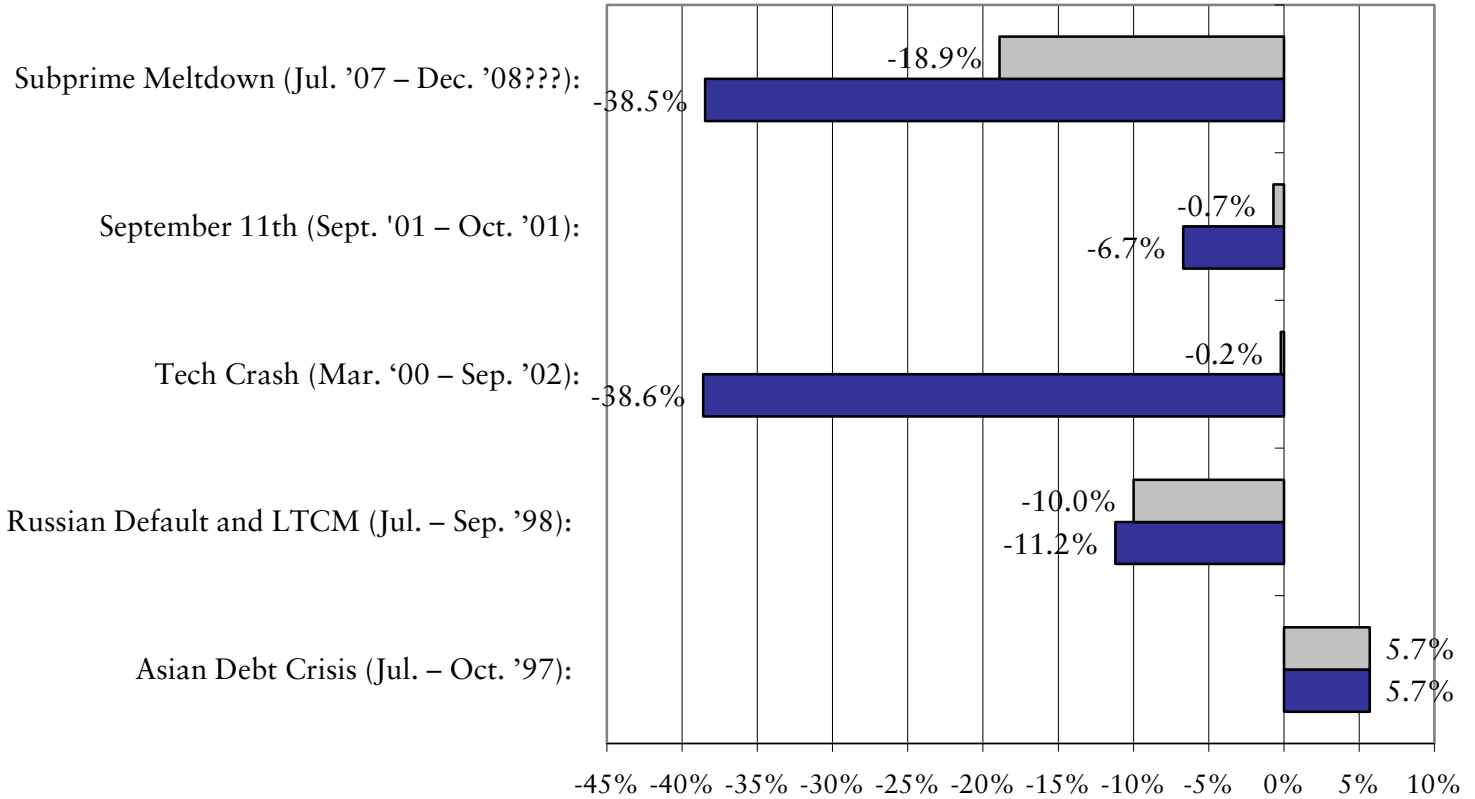
Fund of Fund Style Grid

	Diversified	Directional	Non-Directional
Low Volatility	<ul style="list-style-type: none"> The portfolio should be constructed with a mix of directional and non-directional funds, providing for exposure to all types of hedge fund strategies. Volatility should be managed to a level that approaches that of fixed income markets. The portfolio should not employ leverage. 	<ul style="list-style-type: none"> The portfolio should be constructed primarily with long/short equity funds. Volatility should be managed to a level that approaches that of fixed income markets. The portfolio should not employ leverage. 	<ul style="list-style-type: none"> The portfolio should be constructed primarily with relative value and event driven funds. Volatility should be managed to a level that approaches that of fixed income markets. The portfolio should not employ leverage.
High Volatility	<ul style="list-style-type: none"> The portfolio should be constructed with a mix of directional and non-directional funds, providing for exposure to all types of hedge fund strategies. Volatility should be managed to a level that can approach that of equity markets (although will typically be less). The portfolio may employ leverage. 	<ul style="list-style-type: none"> The portfolio should be constructed primarily with long/short equity, global macro, CTA or other multi-strategy funds. Volatility should be managed to a level that can approach that of equity markets (although will typically be less). The portfolio may employ leverage. 	<ul style="list-style-type: none"> The portfolio should be constructed primarily with relative value and event driven funds. Volatility should be managed to a level that can approach that of equity markets (although will typically be less). The portfolio may employ leverage.

Scenario Analysis

HFOF Scenario Analysis

■ HFRI FOF Composite Index ■ Russell 3000 Index





Thank You!

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