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## Second-Hand Hedge Fund Stake Prices Improve In Oct - Hedgebay

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LONDON -(Dow Jones)- Second-hand stakes in hedge funds improved in October but are still going for as little as 40% of face value as investors unload unwanted holdings, Hedgebay Trading Corp., a company matching buyers and sellers of these stakes, said Thursday.

The average price of Hedgebay's Global Hedge Fund Secondary Market Index, which tracks how much investors are paying or receiving for their shares in hedge funds, rose in October as most investors using the service paid about 87% of a fund's stated net asset value, from 83% in September.

But one trade went through at 40% of net asset value, and a significant number of other dealings were also at large discounts, Hedgebay said.

The price a hedge fund stake trades at can be at either a discount or premium to its net asset value—a number typically calculated each month by a fund's administrator on the market price of the fund's investments.

Highlighting broad disparity in the month's dealings, one trade went through at 100% of net asset value, showing that "investors are increasingly willing to pay top dollar for high quality and hard-to-come-by funds," said Elias Tueta, Hedgebay's co-founder.

It was only the second time in three months that a trade was made without a discount.

Tueta said the heavily discounted trades in turn show that there are still risky and less-liquid funds that look overvalued.

"Sellers currently still have to offload these kinds of assets at whatever price they can get," he said.

Hedgebay created the index last month to give investors a sense of market sentiment and liquidity levels in the industry. Tueta says the index can serve as an early warning system for signs of tension or recovery within the sector, and that strong historical correlation can be found between the average discount on secondary market trades and the future performance of the hedge fund industry.

Hedgebay started facilitating trades in the secondary market in 1999.