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# HEDGE FUNDS

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## REVIEW

### Hedge fund secondary market continues to see high levels of volatility

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The average price for assets on the secondary hedge fund market has risen to its highest level for a year. Trading remains volatile.

The average secondary trade was priced at 91.78% of net asset value (NAV) in April 2010, according to data from Hedgebay. The price was just higher than the average for February and just under the May 2009 average of 92.26%.

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The Hedgebay secondary market index displayed a dispersion of 69 points between the highest and lowest trades, occurring at 102% and 33% respectively.

The index showed prices have fluctuated widely during the past 12 months.

Hedgebay co-founder Elias Tueta said the general trend was upwards. "It suggests that a full recovery at the top end of the market is only being held up by the need to meet redemption deadlines at the end of each quarter, as investors are forced to accept lower bids to meet their cash requirements," Tueta noted.

The average price for illiquid hedge funds that have suspended redemptions fell for the first time in five months to 43% of NAV. Tueta said this was a result of managers cleaning up portfolios and leaving investors holding on to lower-priced residual assets.

"By definition the assets remaining after a distribution are the least liquid, and bidding would necessarily be lower for any of these outstanding assets. Distributions are an important step in the clean up process so we are expecting to see more in the near future," he concluded.

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