

# The Hedgebay Chronicle

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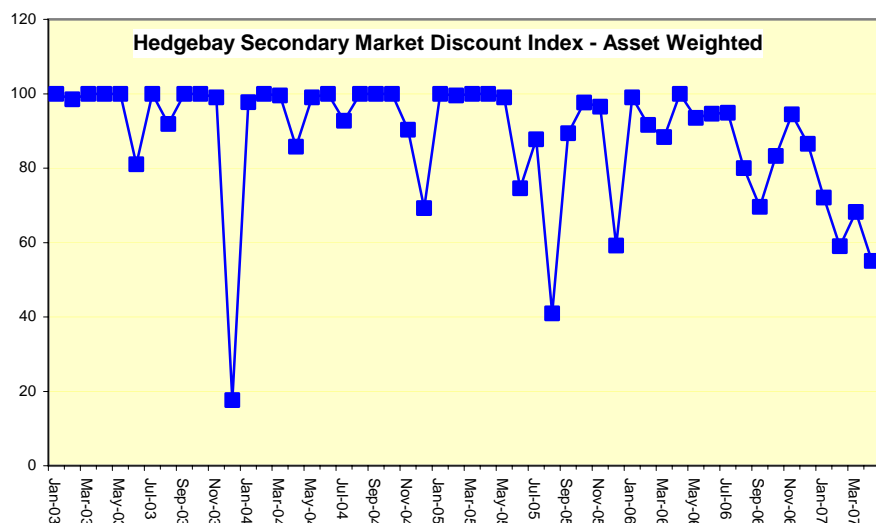
## Secondary Market Activity Summary – April 2007

Once the April holiday season passed activity kicked into high gear. Volume was strong for the month, but was heavily skewed to the discount side of the market with 70% of all trades taking place below NAV.

The most common comment last month was “we are really happy with our portfolio right now.” A clear sign that the relative stability of the last three months has all but run its course. Those who transacted on the discount side of the ledger last month, we believe, were taking advantage of current strong performance to clean up their balance sheets and redeploy capital more appropriately.

On the distressed and liquidation side, most of the well-followed names (Amaranth, Bayou, Bristol, Centrix, Lancer, Ritchie and SPhinX), either traded or had renewed interest. Other than strong selling interest, there was no common theme across the board as levels for some situations improved while others deteriorated.

## Secondary Market Liquidity Indices



### Premium Index Values (SMPI)

Composite Index	100.23
Relative Value	100.00
Security Selection	100.00
Directional Trading	101.00

### Discount Index Values (SMDI)

Composite	55.02
< 3 Months	n/a
3 to 6 Months	n/a
6 to 12 Months	n/a
12 to 24 Months	n/a
None and/or Distressed	55.02

The Hedgebay Secondary Market Premium Index (SMPI) is a proprietary, asset-weighted index that describes the average premium paid for hedge funds that trade in the secondary market in any given month. An investor may wish to use the index as a sentiment indicator to describe hedge fund investors' future expectations for performance as well as a benchmarking tool for hedge fund investors to assess latent value in their portfolios.

The Hedgebay Secondary Market Discount Index (SMDI) is a proprietary, asset-weighted index that describes the average discount required to liquidate hedge funds in the secondary market in any given month. An investor may wish to use the index and sub-indices as indicators of the cost of liquidity.

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