

# The Hedgebay Chronicle

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## Secondary Market Activity Summary –December 2006

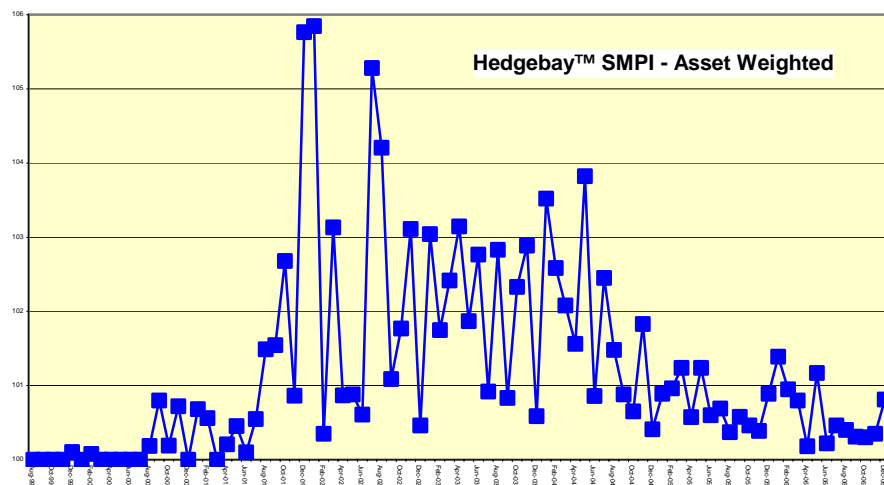
December's supply spigot was wide open with trades taking place all the way up until the last business day of the year. As expected, balance sheet clean up was the overriding theme of the month as almost 60% of all transaction volume occurred at a discount. Not entirely expected, however, was the up tick in the premium index. Without question, this up tick was a direct result of investor demand, and willingness to pay, for liquidity.

Premiums were strongest in the event driven strategy with levels reaching the 2% mark during the month. Relative value followed with levels reaching 1.5%, while long/short saw lower premiums that ranged between NAV and 1.5%.

On the discount side, all of the time frame sub-groupings covered by the SMDI were active. Distressed and liquidation stories represented just under half of the activity with the balance being relatively well spread across the other categories.

Be sure not to miss page 2 with some interesting statistics.

## Secondary Market Liquidity Indices



### Premium Index Values (SMPI)

Composite Index	100.81
Relative Value	100.42
Security Selection	100.50
Directional Trading	101.90

### Discount Index Values (SMDI)

Composite	86.52
< 3 Months	96.74
3 to 6 Months	96.70
6 to 12 Months	99.90
12 to 24 Months	92.00
None and/or Distressed	70.12

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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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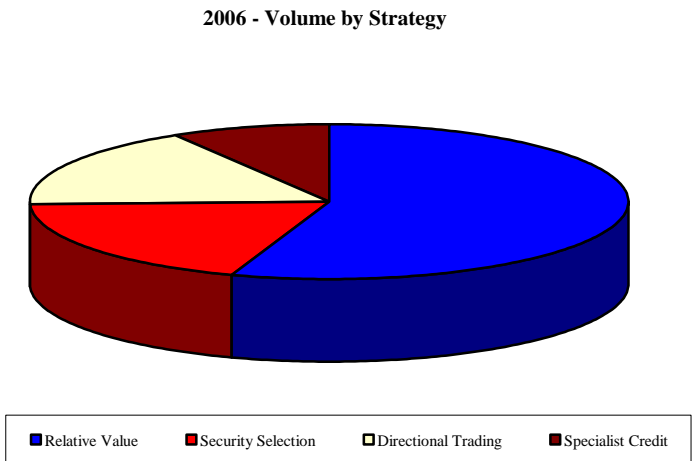
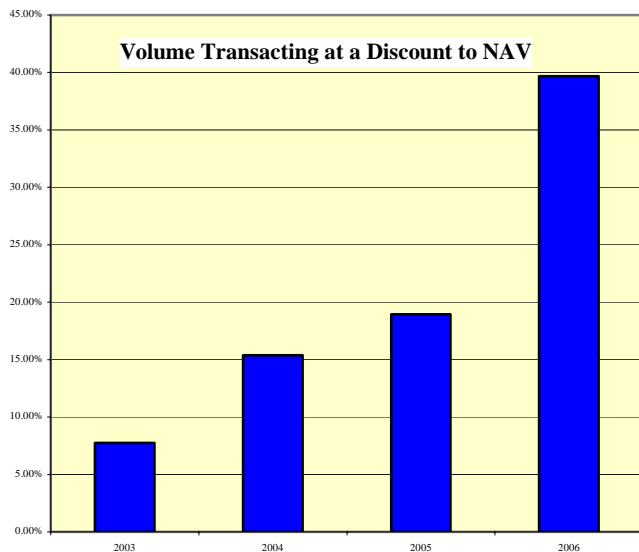
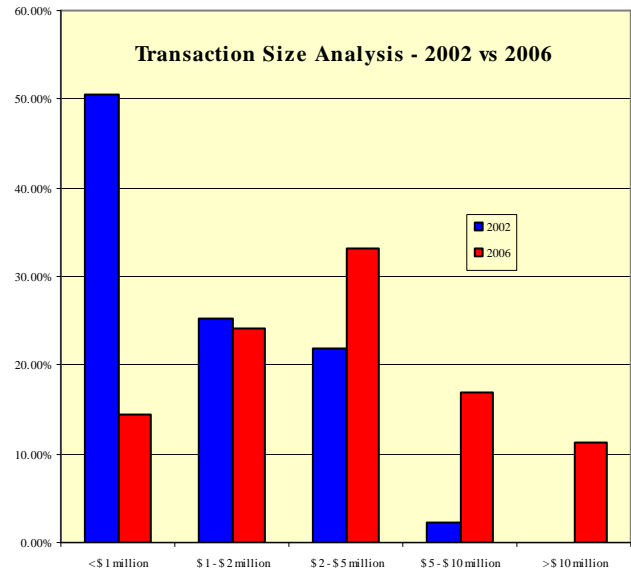
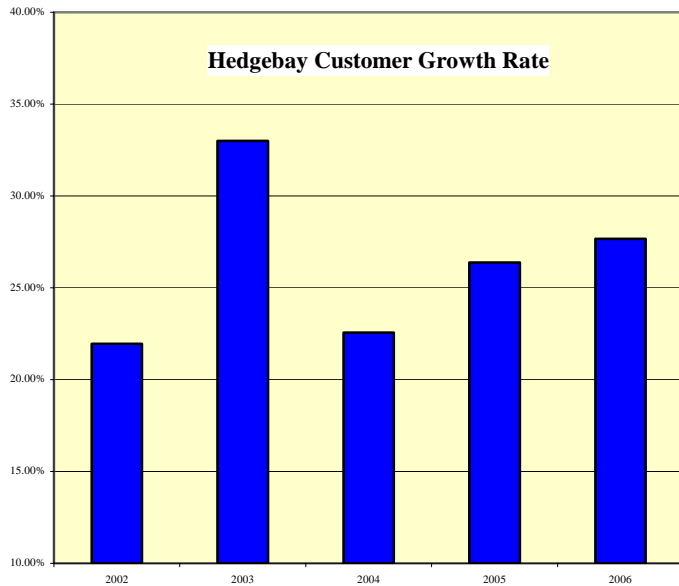
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## Secondary Market Statistics



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