

The Hedgebay Chronicle

Vol III...No 3

April 3rd, 2006

Secondary Market Activity Summary –March 2006

The need for liquidity has continued on in March with greater than 40% of transactions taking place on the discount side of NAV. On the premium side, notwithstanding the good start to 2006, willingness to pay up has been muted.

Although volumes were strong for the month, our perception was that flows were much lighter for most players, which resulted in fewer opportunities.

Relative value:

The strongest strategy for the month, with not only the highest premium but also the greatest number of transactions.

Security Selection:

European and Japanese focused funds changed hands at respectable levels.

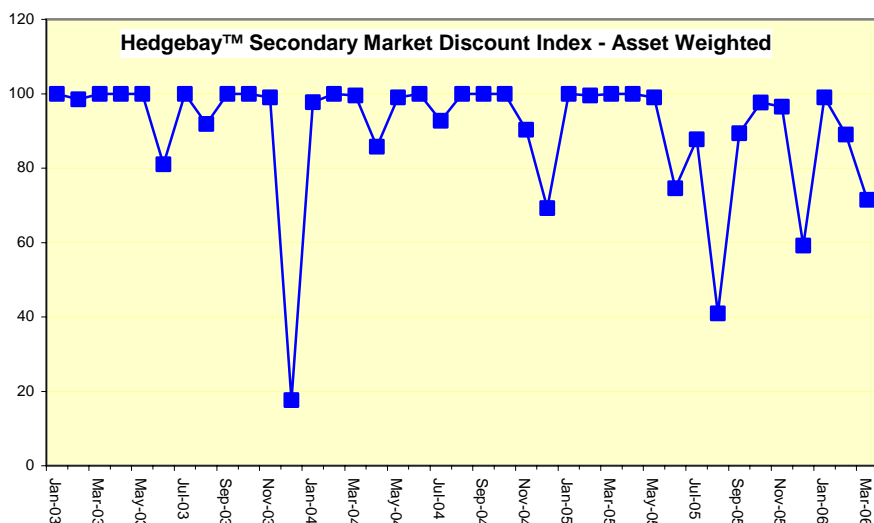
Directional Trading:

As with last month, longer liquidity names changed hands at a discount.

Other:

Several of the well-publicized disasters continued to trade at firm levels.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.80
Relative Value	100.92
Security Selection	100.70
Directional Trading	100.00

Discount Index Values (SMDI)

Composite	71.49
< 3 Months	n/a
3 to 6 Months	98.50
6 to 12 Months	98.00
12 to 24 Months	n/a
None and/or Distressed	33.34

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.

www.hedgebay.com

**

242-356-4147

SMPI & SMDI information is obtained through the Hedgebay website and its associated marketing licensees. There are limitations in using indices for comparison purposes because such indices may have different inclusion criteria and other material characteristics. No representation is made about the value of SMPI or SMDI as a predictive or other indicator or benchmarking tool or that any investor will achieve any results shown. This information is not intended to be, nor should it be construed or used as, a recommendation, or investment or other advice, or an offer, or the solicitation of an offer, to buy or sell any security, including an interest in any hedge fund, which may only be made through delivery of a fund's confidential offering documents, which must be read carefully. There are substantial risks in investing in hedge funds. Certain information has been obtained from third party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed. Past performance is not indicative of future results. The Chronicle is confidential and may not be distributed without our consent.