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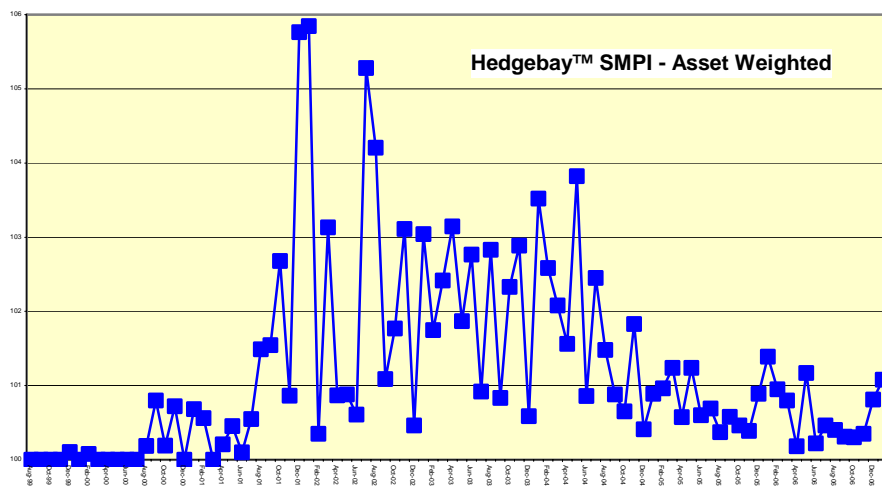
Secondary Market Activity Summary – January 2007

January was noticeably quieter than December with most investors having made whatever moves they had planned to make for year-end. Notwithstanding, optimism seems to be returning as for the third consecutive month the SMPI has ticked higher. While not at the heady levels of the early 2000s, the index value did reach its third highest level in 18 months.

Premiums were strongest in the relative value strategy with levels reaching the 2% mark during the month. Long/short followed with levels reaching 1.75%, while global macro dropped significantly to NAV.

On the discount side, a significant number of trades remain open due to a disconnect on a price. Distressed and liquidation stories represented the majority of the volume.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	101.08
Relative Value	102.00
Security Selection	101.38
Directional Trading	100.00

Discount Index Values (SMDI)

Composite	75.12
< 3 Months	n/a
3 to 6 Months	n/a
6 to 12 Months	99.00
12 to 24 Months	n/a
None and/or Distressed	75.00

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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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