

The Hedgebay Chronicle

Vol IV...No 2

March 2nd, 2007

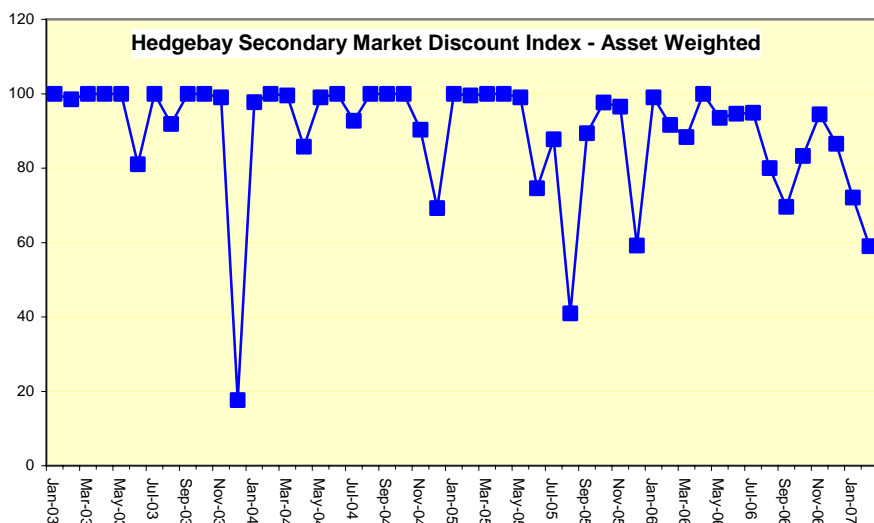
Secondary Market Activity Summary – February 2007

February was busy throughout the month. Activity tended to be clearly on one side or the other of NAV with very little trading at par. This month's index values clearly illustrate this phenomenon with the premium index (SMPI) hitting a 13-month high and the discount index (SMDI) hitting a 19-month low. This dichotomy of activity seems to exemplify two of the obvious issues in the hedge fund industry; a lack of capacity in high quality funds and a need for liquidity in general.

All strategies traded last month, with 60% of the volume taking place on the discount side of the ledger. Long/short was the most active strategy followed by event driven and then by directional trading. Relative value was the least active by a considerable margin.

The number of orders that came in offered at a discount to NAV during the month was the largest ever. Whether that is a sign of investors who are nervous about the prospects of certain funds or that the value of liquidity is being recognized, it is too early to tell. What is certain is that the universe of investors who are willing to sell at a discount to NAV is exponentially larger than it has ever been, and more importantly, that the market is prepared and able to deliver the liquidity that is needed.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	101.43
Relative Value	100.28
Security Selection	100.00
Directional Trading	101.76

Discount Index Values (SMDI)

Composite	58.98
< 3 Months	99.50
3 to 6 Months	97.49
6 to 12 Months	99.90
12 to 24 Months	98.76
None and/or Distressed	6.00

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.