

# The Hedgebay Chronicle

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## Secondary Market Activity Summary –April 2006

There were 2 themes in April that greatly affected secondary market activity – continued strong performance across the industry and the confluence of major holidays.

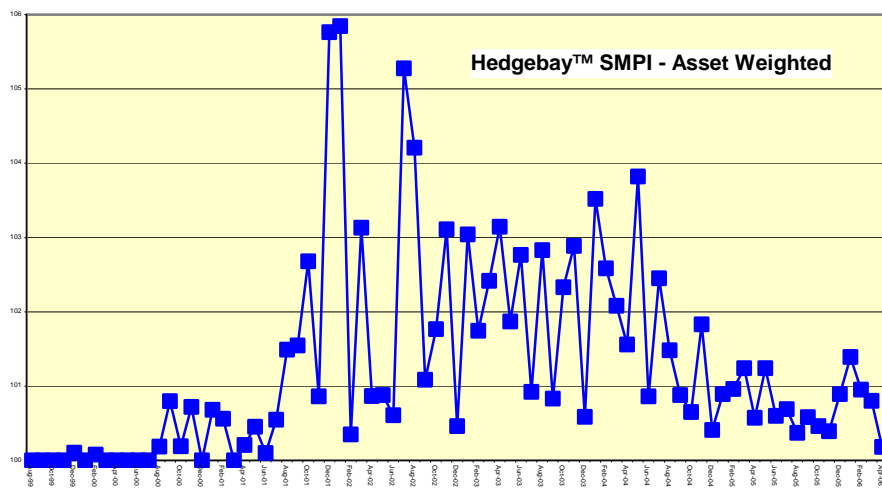
With 6 months consecutive positive performance for the industry (and 3 strong months most recently) cash flows were generally positive and as a result the need for liquidity was greatly dissipated. Positions that normally would have been trimmed or removed altogether found a reprieve as asset managers benefited from organic rebalancing but continue to search for good ideas.

Those that were sellers believed that their assets commanded higher prices than the market was prepared to pay, possibly indicating that recent results have not fully translated into industry wide confidence.

Liquidity seekers were far fewer this month, although their size was far greater.

The holiday season resulted in all activity taking place in the last week, with most decisions being put off until May.

## Secondary Market Liquidity Indices



### Premium Index Values (SMPI)

Composite Index	100.18
Relative Value	100.13
Security Selection	100.29
Directional Trading	100.13

### Discount Index Values (SMDI)

Composite	n/a
< 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	n/a

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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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242-356-4147

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