

The Hedgebay Chronicle

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Secondary Market Activity Summary –May 2006

May was the mirror image of April's activity, posting volume that was three times higher and good supply across a wide variety of strategies.

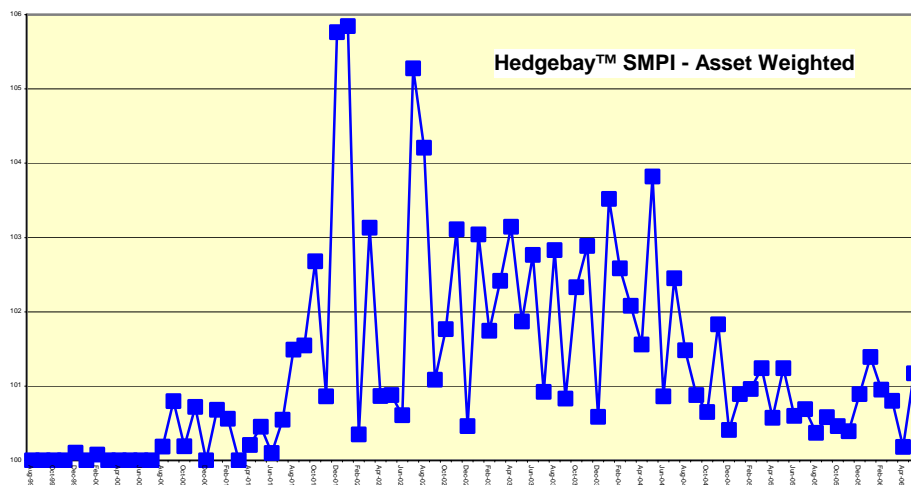
With global equity markets tumbling sellers of long/short equity funds were numerous. Notwithstanding that fact, premium bids were seen across all names traded in that strategy.

Results for the month leave the SMPI at one of its highest levels in the last 18 months.

On the liquidity side of the market, longer dated lock ups traded at NAV on quality names. Shorted date liquidity on less well known issued traded just under NAV.

The distressed issues continue to change hands with Bristol (Beacon Hill) being the most active as bids moved up. Levels for Philadelphia have also firmed, but supply is limited and offered much higher than current bids.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	101.17
Relative Value	101.00
Security Selection	101.60
Directional Trading	100.00

Discount Index Values (SMDI)

Composite	93.47
< 3 Months	98.50
3 to 6 Months	n/a
6 to 12 Months	n/a
12 to 24 Months	n/a
None and/or Distressed	89.84

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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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