

The Hedgebay Chronicle

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Secondary Market Activity Summary – June 2006

Unlike previous months when specific strategies were being sold for obvious reasons, June was a month when all strategies were on offer by all types of investors.

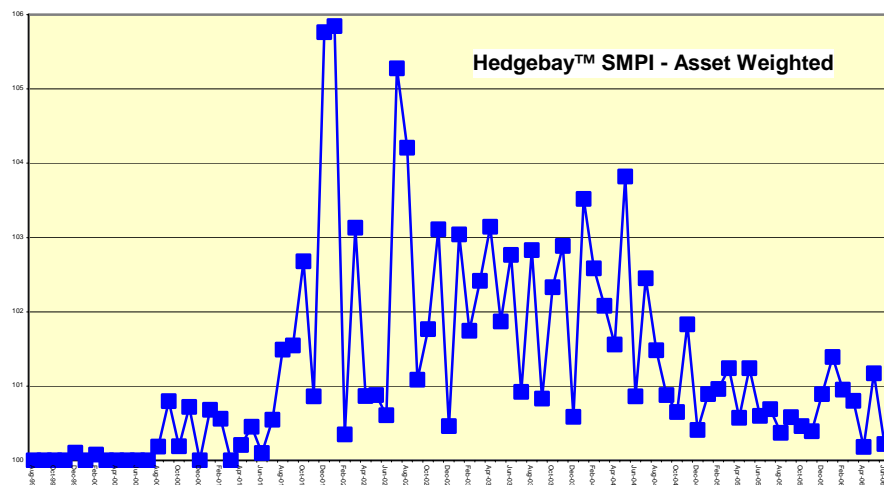
Our take is that 1) cash is being raised in anticipation of redemptions that are expected for the end of next quarter, 2) exposure levels are being reduced and 3) realized volatility in certain areas was a lot higher than anticipated.

Volume was, as a result, the highest for the year, however premiums were clearly dampened due to the higher levels of supply in the market.

On the liquidity side, longer dated lock ups, like last month, traded at NAV due to the scarcity factor.

Distressed issues continue to be active with Lancer showing the most interest as bids have declined slowly due to the dwindling of assets in the estate.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.22
Relative Value	100.30
Security Selection	100.00
Directional Trading	100.00

Discount Index Values (SMDI)

Composite	94.62
< 3 Months	n/a
3 to 6 Months	n/a
6 to 12 Months	n/a
12 to 24 Months	95.50
None and/or Distressed	90.00

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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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