

The Hedgebay Chronicle

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Secondary Market Activity Summary –August 2006

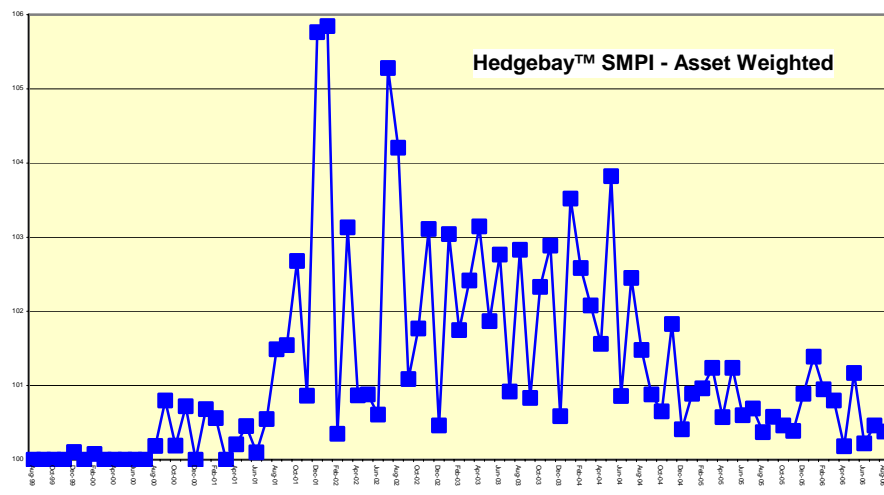
August was a month with limited supply, but with reasonable demand. Typical for the summer, most fund of funds investors saw minimal cash flows in either direction and therefore a reduced requirement to make moves or changes.

Premiums were strongest in the long/short strategy with levels broaching the 2% mark during the month. Relative value, on the other hand, while active, saw muted premiums ranging between NAV and 0.75%.

On the discount side, large blocks of a variety of names are bid just under NAV with the distressed names holding firm at recent levels.

September, and the fourth quarter in general, look to be busy with a significant pipeline of transactions in negotiation as well as the anticipated roll out of our new secondary market liquidity product.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.38
Relative Value	100.05
Security Selection	101.50
Directional Trading	100.30

Discount Index Values (SMDI)

Composite	80.00
< 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	80.00

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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.

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