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Secondary Market Activity Summary –October 2006

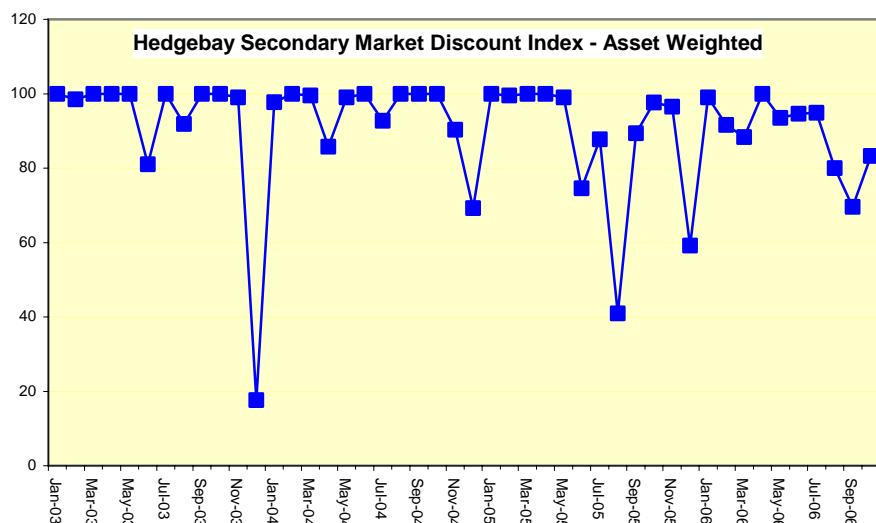
October was, as expected, extremely hectic. Rebalancing as a result of Amaranth, Vega and Jolly Roger resulted in one of the highest supply months across the gamut of strategies. Not surprisingly, nearly 60% of the month's transaction volume was done on the discount side of the ledger.

Premiums were strongest in the long/short strategy with levels reaching the 1.5% mark during the month. Directional trading, global macro in particular, on the other hand, while active, saw muted premiums ranging between NAV and 0.5%.

On the discount side, distressed transactions represented the largest percentage of the month's activity. Notwithstanding, many quality names with longer lock ups traded at modest discounts in the 2% to 3% range while even names with good liquidity traded in the -0.5% to 1% range reflecting what we perceive to be as both a need for liquidity as well as a recognition of event risk and volatility in the market. We believe the graph below of the Hedgebay SMDI depicts this phenomenon quite clearly.

November appears to be poised for a similar type of flow given the rapidly approaching 45-day notice period for year-end redemptions.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.30
Relative Value	100.00
Security Selection	101.50
Directional Trading	100.41

Discount Index Values (SMDI)

Composite	83.28
< 3 Months	99.42
3 to 6 Months	n/a
6 to 12 Months	97.50
12 to 24 Months	97.00
None and/or Distressed	74.24

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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