

The Hedgebay Chronicle

Vol IV...No 6

July 5th, 2007

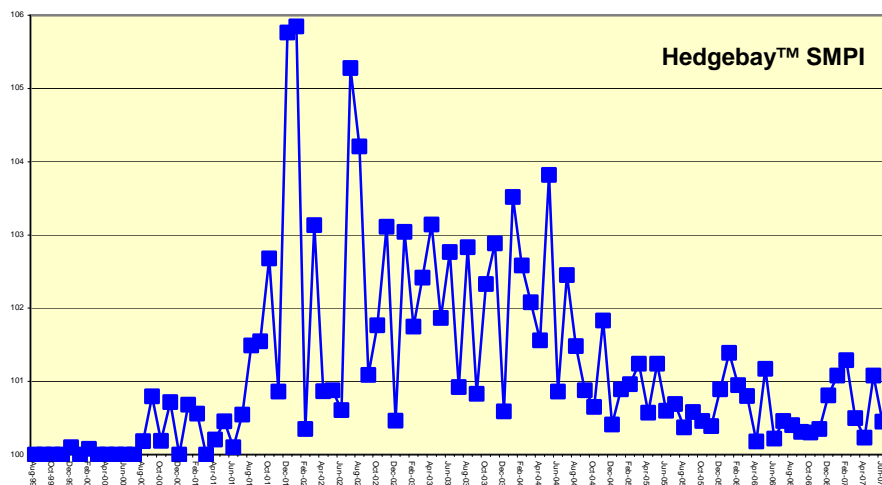
Secondary Market Activity Summary – June 2007

The big question left unanswered in June, which will undoubtedly get resolved in July or August, is what knock-on effect will there be, if any, from the unraveling of Bear Stearns' two credit hedge funds. Through the end of June, our vantage point showed relatively little contagion effect and no panic selling. However, historically, much of the action that we have seen has come one to two months after the bump in the road, which should make for an interesting summer.

For the month, all strategies traded with the Security Selection sub-strategy achieving the highest levels of premium. The Directional Trading sub-strategy was however the most active, but premium levels were somewhat lower than levels seen earlier in the year.

On the discount side of the market, there seemed to be an uneasy quiet before the storm. Some private equity changed hands, but most other transactions were in a wait and see mode as both buyers and sellers wait to see what fallout will be observed not only in other hedge fund strategies, but also in other markets.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.37
Relative Value	100.00
Security Selection	100.74
Directional Trading	100.27

Discount Index Values (SMDI)

Composite	81.00
< 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	81.00

© 2007 Hedgebay Trading Corporation. All rights reserved.

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.

www.hedgebay.com

**

242-356-4147

SMPI & SMDI information is obtained through the Hedgebay website and its associated marketing licensees. There are limitations in using indices for comparison purposes because such indices may have different inclusion criteria and other material characteristics. No representation is made about the value of SMPI or SMDI as a predictive or other indicator or benchmarking tool or that any investor will achieve any results shown. This information is not intended to be, nor should it be construed or used as, a recommendation, or investment or other advice, or an offer, or the solicitation of an offer, to buy or sell any security, including an interest in any hedge fund, which may only be made through delivery of a fund's confidential offering documents, which must be read carefully. There are substantial risks in investing in hedge funds. Certain information has been obtained from third party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed. Past performance is not indicative of future results. The Chronicle is confidential and may not be distributed without our consent.

© 2004-2007 Hedgebay Trading Corporation. All rights reserved.