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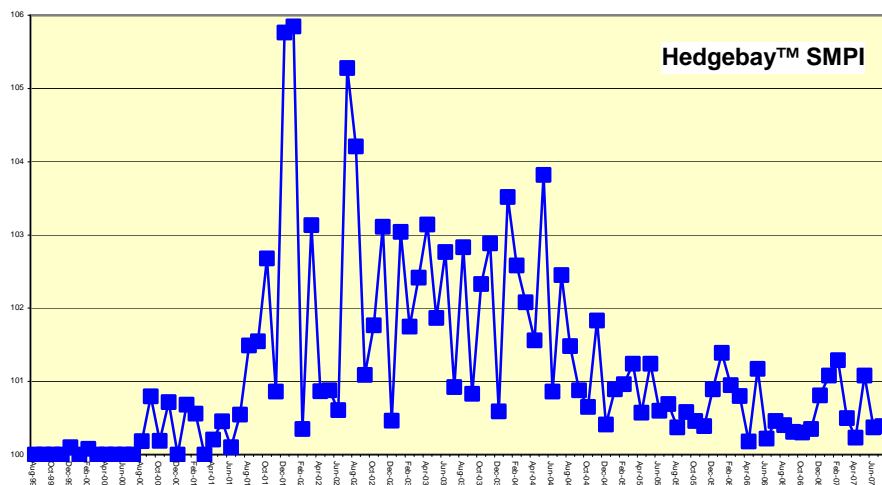
Secondary Market Activity Summary – July 2007

July has historically been the quietest month of the year for secondary activity. Not this year; with the 2007 version producing record levels of volume and filling the August pipeline substantially. Clearly, sub-prime flu has spread, and worse still, has been contracted by other, larger markets. Investors, while not necessarily panicking do seem nervous to unnerved, and have begun an orderly unwinding of a wide spectrum of positions to reduce exposure in general as well as to eliminate excess leverage. The industry is waiting with baited breath to see how the July numbers look, as that will be an excellent indicator of how widespread the contagion has become and ultimately how much damage has been done.

Not surprisingly, premiums during July were muted. Only a few, hard to come by names traded hands at very modest levels. While demand exists for many names, enthusiasm to pay up does not given the current environment.

The discount side of the market was far more active then the premium side, as the SMDI numbers show. What stands out is how little of a discount (between 20bp and 200bp) was required to price trades that have as much as 18 months until the next liquidity point. While many things could potentially be interpreted from this data, the very least that can be said is that there is liquidity at very reasonable prices.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.39
Relative Value	100.00
Security Selection	100.50
Directional Trading	100.37

Discount Index Values (SMDI)

Composite	92.96
< 3 Months	98.75
3 to 6 Months	99.80
6 to 12 Months	n/a
12 to 24 Months	98.00
None and/or Distressed	22.19

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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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