The Hedgebay Chronicle

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Secondary Market Activity Summary – August 2007

August, in terms of pricing in the secondary market, was indistinguishable from an introductory university course in economics. General supply of hedge funds increased exponentially and demand, while not exponentially reduced, was reduced significantly. As a result of the demand and supply curves shifting, there was a demonstrable change in prices.

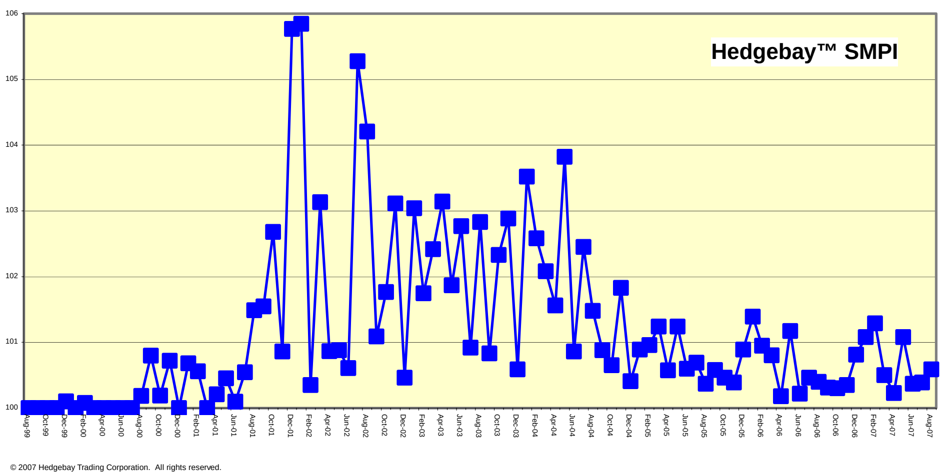
On the supply side, there were two major factors impacting the dramatic increase. First and foremost, hedge funds, which were closed to new investment prior to August, reopened (either to replace capital that had been lost or to take advantage of the opportunities created by the dislocations). And second, investor need or desire for liquidity

On the demand side, most investors were sitting on their hands. No cash available, fear of further loses, no conviction about which areas would be "safe havens" and expectations of receiving redemptions in the upcoming quarter were the reasons for greatly dampened demand.

The bad news, which anyone who passed their economics course has already ascertained, is that the price of liquidity is far greater now than it was 45 days ago. With most funds being open and no existence of a charity equivalent to the Fed to provide liquidity for virtually free, buyers will need to be compensated for the risks they will be taking in providing any liquidity.

The good news is that there are bids, which are reasonably deep, which is proving the viability of the secondary market for hedge funds.

Secondary Market Liquidity Indices



Premium Index Values (SMPI)

Composite Index	100.59
Relative Value	101.00
Security Selection	100.00
Directional Trading	100.00

Discount Index Values (SMDI)

Composite	91.65
< 3 Months	99.15
3 to 6 Months	n/a
6 to 12 Months	97.00
12 to 24 Months	n/a
None and/or Distressed	58.35

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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