

# The Hedgebay Chronicle

Vol IV...No 12

January 10<sup>th</sup>, 2008

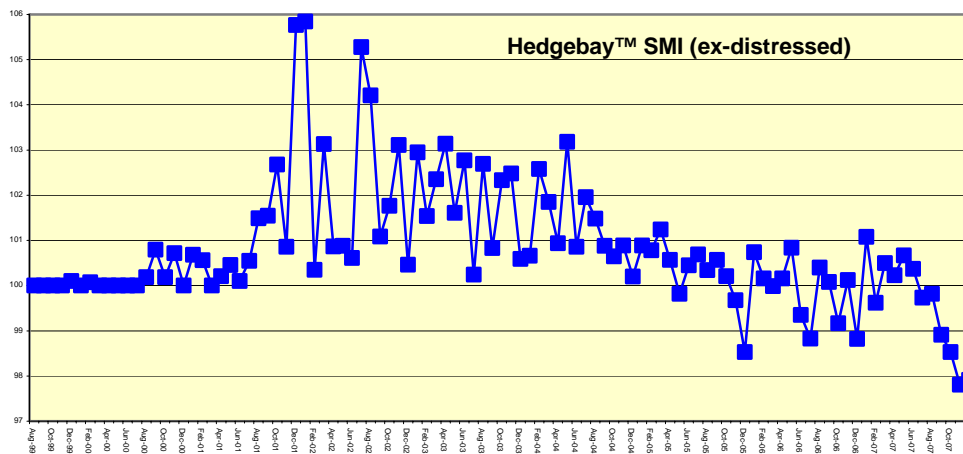
## Secondary Market Activity Summary – December 2007

December was the first time since 2001 that there were no premium transactions. In fact, it was the second month in a row that almost 85% of all trades that took place did so at a discount. The SMI remained near its lowest ever levels due to the continuing need for liquidity and dwindling investor enthusiasm in the face of lack luster performance coming into year end.

Happily for most, 2007 is now in the rear-view mirror. With an unprecedented number of funds suspending redemptions, or worse, going to zero, 2007 was a year of incredible volatility. With looming elections in the US as well as a continuing credit crunch, 2008 looks to continue the volatile trend, hopefully with less hedge fund carnage.

In terms of secondary trading, volumes increased from 2006 as did new clients and the number of new funds traded. Please see the following page for some insights into the development of the market.

## Secondary Market Liquidity Indices



### Secondary Market Index Values (SMI)

Composite Value 97.91

### Premium Index Values (SMPI)

Relative Value 100.00  
 Security Selection 100.00  
 Directional Trading 100.00  
 Specialist Credit 100.00

### Discount Index Values (SMDI)

< 3 Months n/a  
 3 to 6 Months n/a  
 6 to 12 Months 98.07  
 12 to 24 Months 96.00  
 None and/or Distressed 73.58

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The Hedgebay Secondary Market Index (SMI) is a proprietary, asset-weighted index that describes the average premium or discount 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, a benchmarking tool for hedge fund investors to assess latent value in their portfolios or as indicators of the cost of liquidity.

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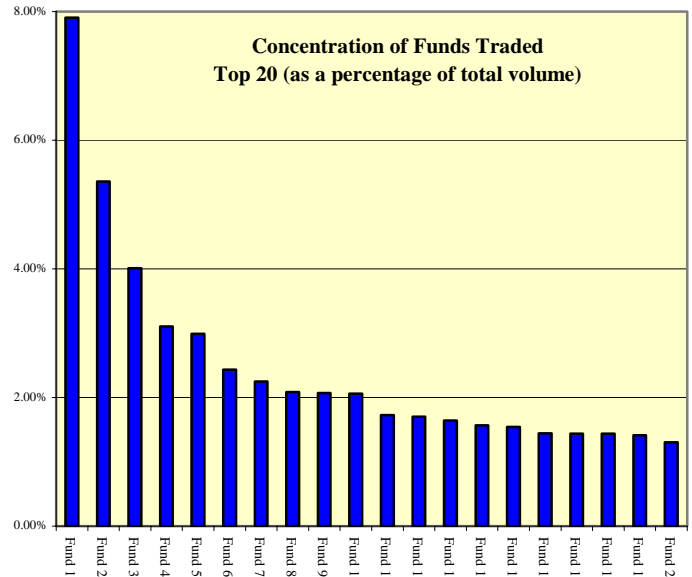
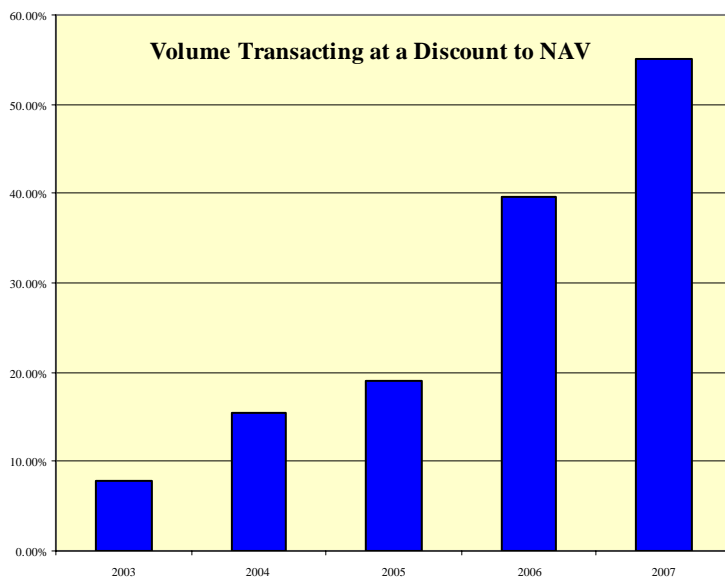
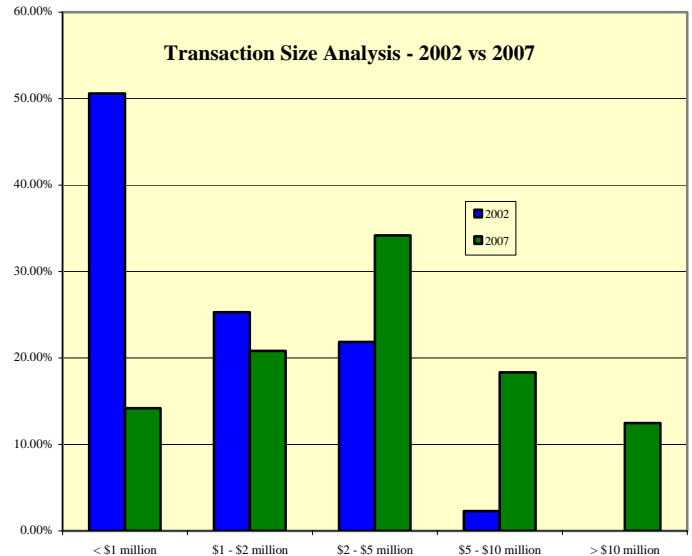
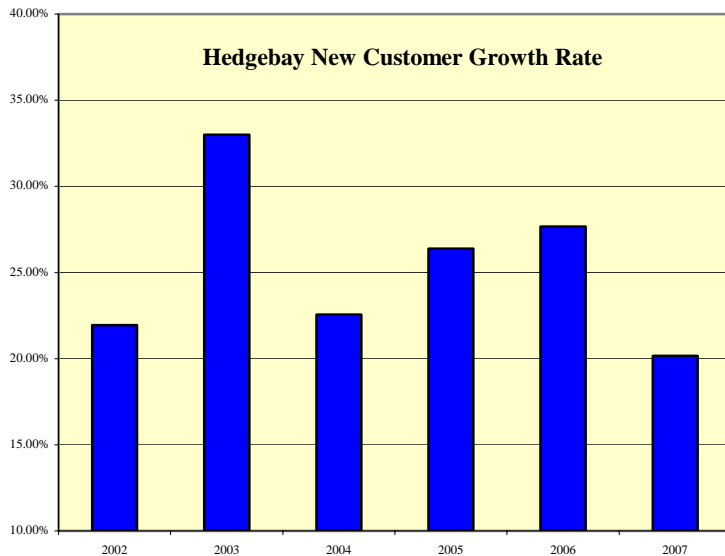
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## Secondary Market Statistics



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