

# The Hedgebay Chronicle

Vol V...No 1

February 5<sup>th</sup>, 2008

## Secondary Market Activity Summary – January 2008

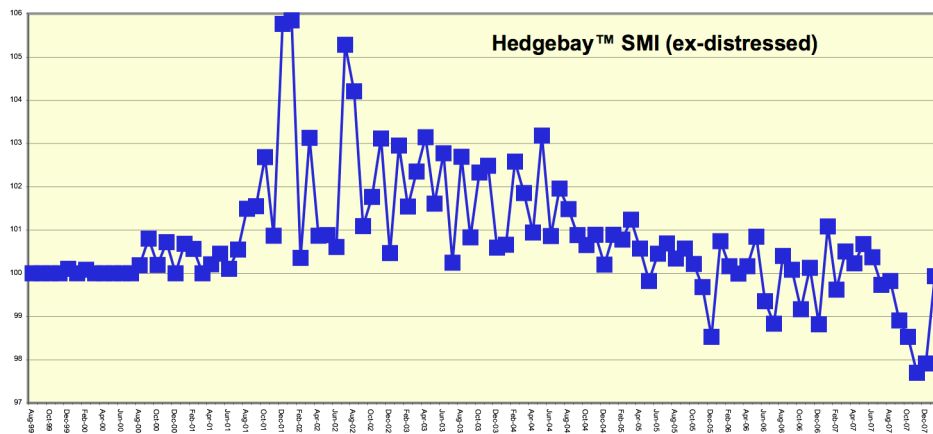
January, from a secondary trading perspective, was a very interesting month. By most observers' expectations, January should have witnessed a great deal of liquidity selling at a discount to NAV. While there was substantial activity, quite the opposite occurred with 65% of all transactions taking place at NAV or higher.

One possible explanation for this phenomenon is that investors chose to sell their most liquid, most high quality assets to raise cash rather than to sell funds that have been out of favor or which are illiquid, and as such, would have achieved less advantageous pricing.

Other than for distressed funds, discounts ranged between 50bp and 500bp for funds with future liquidity dates ranging from 2 months to 11 months. With volatility at extremely high levels, these prices seem reasonable to inexpensive.

Looking forward, the pipeline of transactions is quite large and the feeling is that many more opportunities will present themselves in the coming months.

## Secondary Market Liquidity Indices



### Secondary Market Index Values (SMI)

Composite Value 99.93

### Premium Index Values (SMPI)

Relative Value 100.32  
Security Selection 100.50  
Directional Trading 100.63  
Specialist Credit 100.00

### Discount Index Values (SMDI)

< 3 Months 99.16  
3 to 6 Months n/a  
6 to 12 Months 98.71  
12 to 24 Months n/a  
None and/or Distressed 50.00

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