

The Hedgebay Chronicle

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Secondary Market Activity Summary – June 2008

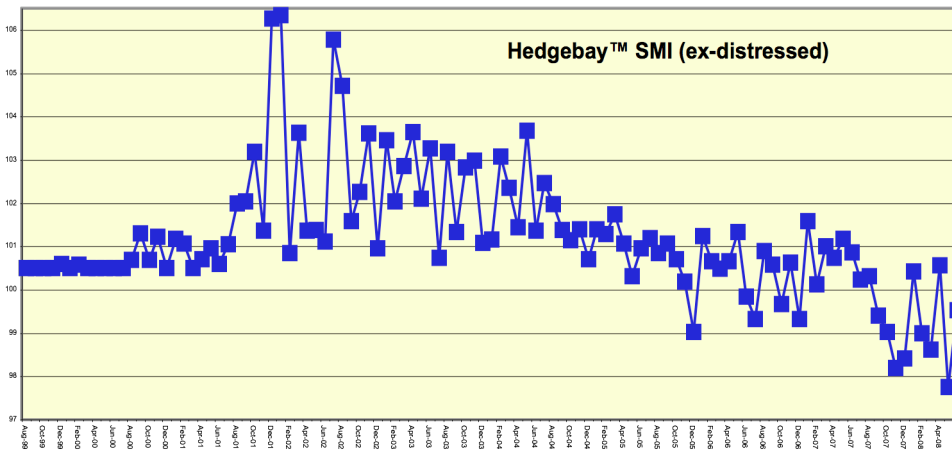
For the first time in more than 7 years there were no trades higher than NAV during the month. Virtually all trades took place at a discount to NAV with almost 60% of all trades taking place in either side pockets or in funds that are restructuring or that have suspended redemptions.

Worth noting is the “None and/or Distressed” sub category of the SMDI, which shows the weighted average price that was paid by investors who sold the types of funds previously mentioned. The prices being paid in this category are also worth noting, with as much as 60 cents being paid for highly distressed funds, as much as 75 cents being paid for certain side pockets and an average of 85 cents being paid for a variety of funds that are restructuring.

For the normally operating, but somewhat illiquid funds, it was business as usual. 200bp was the largest discount taken in any time frame category and 50bp was the least. When compared to the current volatility and risk in the market, these prices are extremely attractive to those that are seeking liquidity.

While cash flows for most investors seem to have slowed significantly from the first quarter there are certainly several pockets with deep resources that continue to acquire. With June returns likely to be poor, many investors are nervously anticipating a large number of gate announcements.

Secondary Market Liquidity Indices



Secondary Market Index Values (SMI)

Composite Value 99.03

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 99.41
3 to 6 Months 98.56
6 to 12 Months n/a
12 to 24 Months 98.50
None and/or Distressed 82.29

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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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