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Secondary Market Activity Summary – April 2008

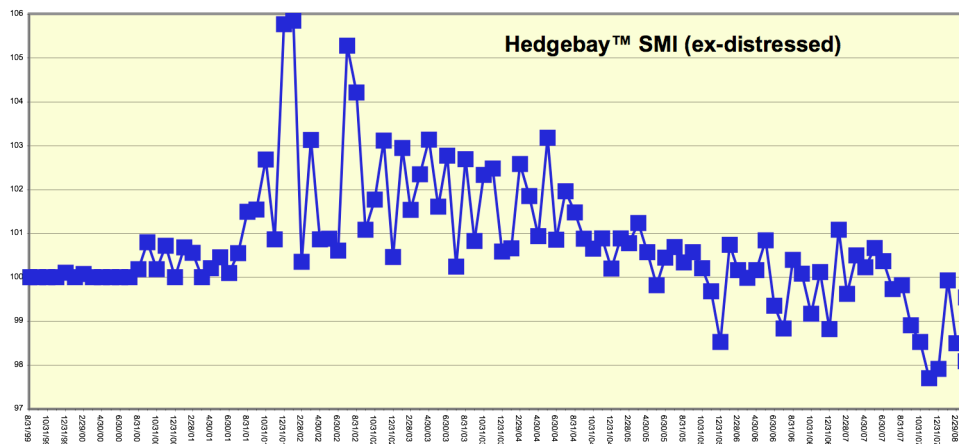
April began far more slowly than March did, however the volume of transactions accelerated towards the later half allowing the month to be one of the top 10 busiest. Prices in general were stable with no material change from previous months.

On the premium side of the market, the average premium was 70bps and the high was 125bps. High quality, relative value funds achieved the greatest premium, while macro was more muted.

On the discount side, longer dated liquidity was more heavily offered this month as investors looked to improve the liquidity of their balance sheets, a slightly different theme than last month where shorter dated liquidity funds were sold simply to produce cash to fund quarter end redemptions.

With q45 and q30 notice periods looming, what will be interesting to see is the level of redemptions that result from one of the most challenging periods in the relatively short history of hedge fund performance. More concerning than that though is the degree to which investors still believe that hedge funds have an almost 100% frequency of positive performance skew and therefore ignore market risk. While all investors believe that they invest for the long term, the reality is that at certain times (equal to the frequency of portfolio turnover) they are traders and therefore need to develop those skills. As a result, investors in hedge funds must dispense with the mental association of selling at discount with distress and begin to view it for what it really is, sound risk management and market wisdom.

Secondary Market Liquidity Indices



Secondary Market Index Values (SMI)

Composite Value 99.54

Premium Index Values (SMPI)

Relative Value 100.75
Security Selection 100.00
Directional Trading 100.82
Specialist Credit 100.00

Discount Index Values (SMDI)

< 3 Months n/a
3 to 6 Months n/a
6 to 12 Months 98.73
12 to 24 Months 95.00
None and/or Distressed 80.92

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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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