The Hedgebay Chronicle

Vol VI…No 3 April 10th, 2009

Secondary Market Activity Summary – March 2009

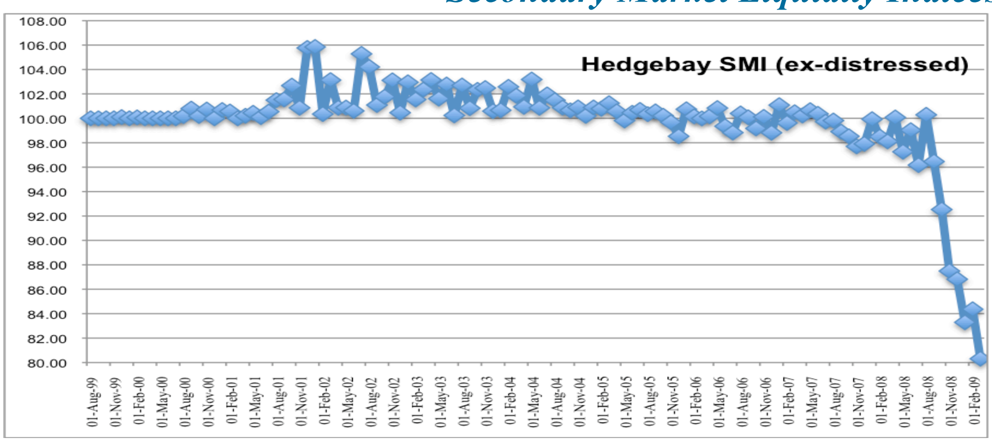
March was the most active month on record pushing year over year transaction volume levels 20% ahead of those for the first quarter of 2008. March also marked the 3rd consecutive month, and fifth out of the last six, where all trades took place at a discount. Pricing softened from February's average discount of 15% to almost 20% for funds that had not suspended redemption rights.

It is hard to tell whether the increased, and heavy, transaction volume was due more to confidence instilled in investors by the strong rally in the equity markets or by the realization of sellers that things are likely to get worse before they get better.

Two things that are clear, however, are that the price and demand for liquidity have both continued to rise. The fact that fund of funds are largely out of the buying picture today is one of the primary reasons why the price of liquidity has risen so dramatically. In the not so distant past, there was a seemingly endless flow of new investment into these funds, which has all but stopped now.

On the demand side, investors have redeemed what they could and are now faced with a resulting shortfall or a lack of desire to continue to take risk. Either way, they are learning very quickly how to calculate the present value of their positions and engaging buyers in a manner they haven't in the past.

Secondary Market Liquidity Indices



Secondary Market Index Values (SMI)

Composite Value	80.31

Premium Index Values (SMPI)

Relative Value	n/a
Security Selection	n/a
Directional Trading	n/a
Specialist Credit	n/a

Discount Index Values (SMDI)

< 3 Months	n/a
3 to 6 Months	n/a
6 to 12 Months	96.00
12 to 24 Months	79.36
None and/or Distressed	76.40

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.

www.hedgebay.com ** 242-356-4147