

The Hedgebay Chronicle

Vol VI...No 5

June 5th, 2009

Secondary Market Activity Summary – May 2009

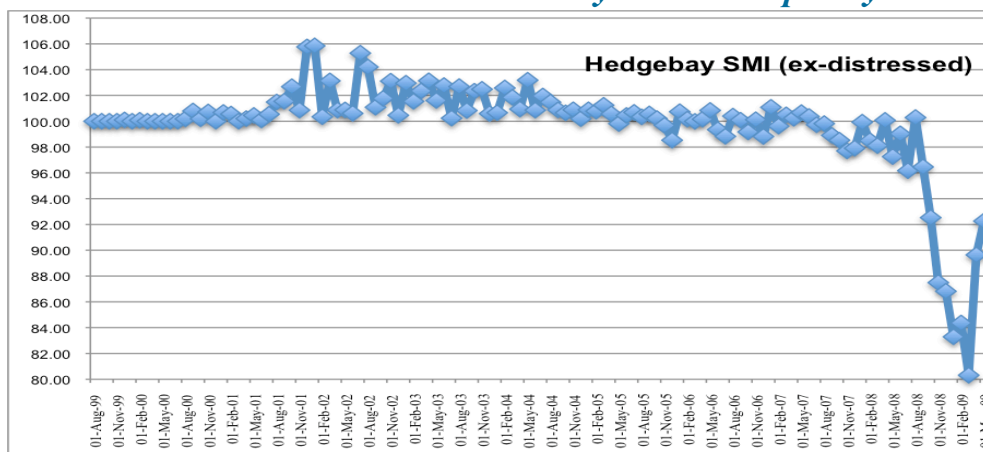
Hedge Fund Prices Improve on Mixed Signals

May marked the second month in a row of improving prices for hedge fund shares in the secondary market. While not as dramatic as the gains of April, it was an improvement nonetheless and potentially signals a more widespread belief by market participants that things are beginning to turn around. Further evidence of this can be found in the fact that there were a number of offers made at NAV and even at a premium to NAV during the month, even though May was ultimately the 5th consecutive month where all transactions occurred at a discount to NAV.

On the other side of the coin, volume was muted – both in terms of number of transactions taking place as well as in the absolute amount of closed transactions. The two categories showed the lowest totals for the year while volume was the lowest monthly total in the last 8 months. Notwithstanding, year over year volumes are still approximately 10% ahead of the same period last year.

Will there be a respite now for the summer? Or will the end of the second quarter bring a new surprise? One thing is for certain, there is still a tremendous amount of hedge fund shares that are suspended that need to be worked through and that will take some time.

Secondary Market Liquidity Indices



Secondary Market Index Values (SMI)

Composite Value 92.26

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 94.00
3 to 6 Months n/a
6 to 12 Months n/a
12 to 24 Months 91.98
None and/or Distressed 59.77

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

SMPI & SMDI information is obtained through the Hedgebay website and its associated marketing licensees. There are limitations in using indices for comparison purposes because such indices may have different inclusion criteria and other material characteristics. No representation is made about the value of SMPI or SMDI as a predictive or other indicator or benchmarking tool or that any investor will achieve any results shown. This information is not intended to be, nor should it be construed or used as, a recommendation, or investment or other advice, or an offer, or the solicitation of an offer, to buy or sell any security, including an interest in any hedge fund, which may only be made through delivery of a fund's confidential offering documents, which must be read carefully. There are substantial risks in investing in hedge funds. Certain information has been obtained from third party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed. Past performance is not indicative of future results. The Chronicle is confidential and may not be distributed without our consent.