

# The Hedgebay Chronicle

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## Secondary Market Activity Summary – July 2009

### Hedge Fund Prices Slip Again

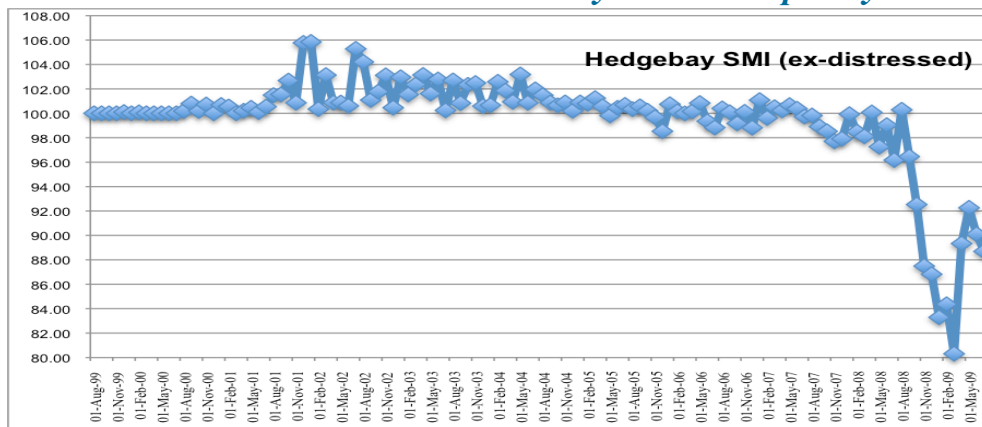
Historically speaking, July 2009 was the busiest on record. The historically larger volume was accompanied by slightly lower prices across a variety of strategies as well as different liquidity time frames. In July, prices declined approximately 150 basis points to average at just over an 11% discount (for the average fund that hadn't suspended redemption rights).

July also marked the 7<sup>th</sup> consecutive month and 9<sup>th</sup> out of the last 10 months where all transactions took place at a discount to NAV. Volume year to date is approximately 10% ahead of volume for the same 7-month period last year.

Trying to pick out intelligent morsels based on July's activity proved to be too difficult. What is much easier though to describe is the extent to which the market has become bifurcated on the sell side. On the one hand you have the "track record protectors" and those that have had their confidence buoyed (if not altogether inflated by helium) by recent market performance. On the other hand you have those that are more pragmatic who are calculating future cash flow probabilities and pricing based on that.

Clearly it's a lot harder to trade with the former group than the latter, which is possibly why July's volume was as significant as it was.

## Secondary Market Liquidity Indices



### Secondary Market Index Values (SMI)

Composite Value 88.69

### 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 94.29  
 6 to 12 Months 89.50  
 12 to 24 Months 87.71  
 None and/or Distressed 59.06

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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