

Hedgebay

GLOBAL HEDGE FUND SECONDARY MARKET INDEX

Edition 01 | September 2009

► Prices Decline as Less Liquid Issues Dominate Trading

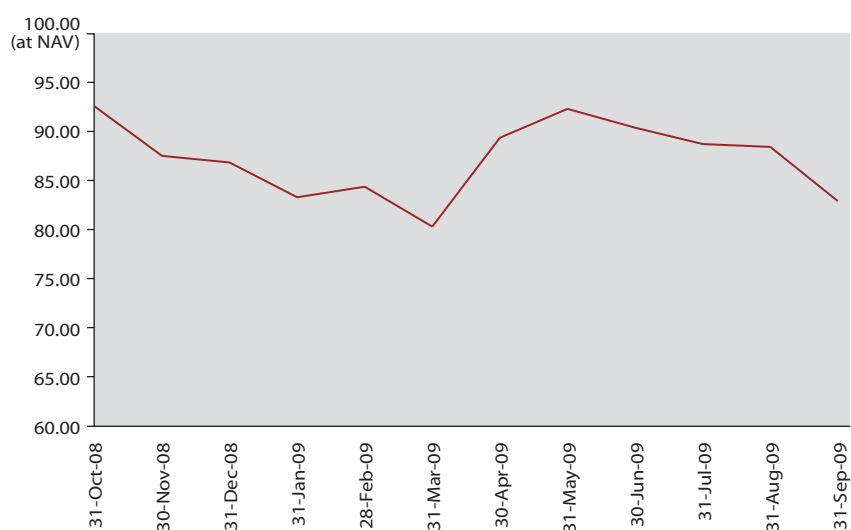
September's trading activity was dominated by transactions in funds that have longer liquidity expectations. Very little was done in funds with near term liquidity exits as the index dropped for the third consecutive month by 550 basis points (for the average fund that hadn't suspended redemption rights). Unlike August, which witnessed the first NAV transaction of the year, the month's activity was all transacted at a discount to NAV. September, which is historically a quieter month, was more than 25% busier than September of last year, making year to date volume around 15% higher than the first nine months of 2008.

The fact that prices declined sharply in September against the backdrop of stable equity markets and the generally strong year to date performance of hedge funds is telling. From our perspective it shows that investors are, without question, focused on dealing with the issues on their balance sheet rather than on generating liquidity. We have been advocating the implementation of processes designed to estimate the present value of all likely future cash flows. And while some are clearly doing this, others are not.

Therefore, while the willingness to address these issues clearly exists, it is fighting a strong head wind as evidenced by the number of transactions that should have taken place last month, but didn't, because investors didn't want to "take the hit". As cash gets distributed from gated and liquidating vehicles absolute discounts will go down as only the least liquid assets will remain. Investors need to ignore the allure of cash on the horizon and do the work necessary to determine the present value of their holdings.

ALL FIGURES BELOW ARE RELATIVE TO A TRADE AT NAV EQUALLING 100%

► Average discount or premium (to NAV) 12 last months



► Average price of trades

Date	Average discount to NAV	Monthly % change
31-Oct-08	92.53%	
30-Nov-08	87.49%	-5.45%
31-Dec-08	86.82%	-0.77%
31-Jan-09	83.29%	-4.07%
28-Feb-09	84.36%	1.28%
31-Mar-09	80.31%	-4.80%
30-Apr-09	89.33%	11.23%
31-May-09	92.26%	3.28%
30-Jun-09	90.35%	-2.07%
31-Jul-09	88.69%	-1.84%
31-Aug-09	88.40%	-0.33%
31-Sep-09	82.9%	-6.22%

► Top traded strategy

Date	1st	2nd
Sep-09	Credit	Relative value

► Highest & lowest trades (relative to NAV)

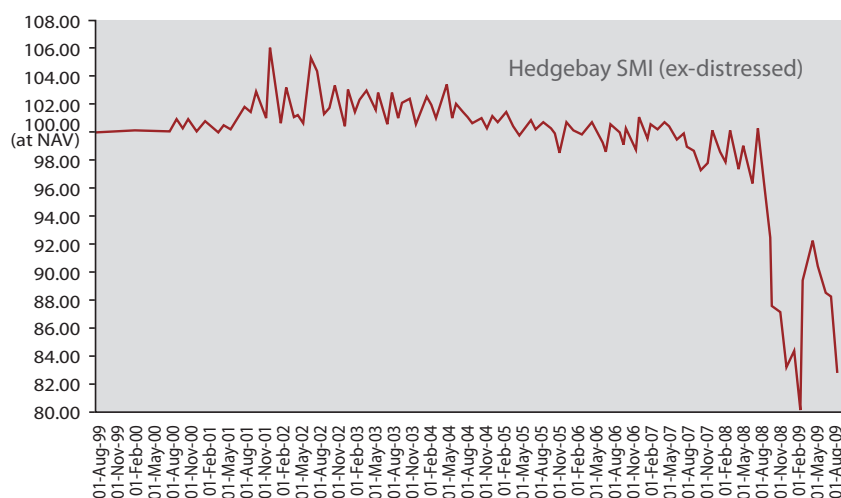
Date	Highest trade	Lowest trade
Sep-09	96.00%	62.00%

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► Average discount or premium (to NAV) since 1999



► Average price of trades

Date	Average discount to NAV	Annual % change
31-Dec-00	100.00%	N/A
31-Dec-01	105.76%	5.76%
31-Dec-02	100.46%	-5.01%
31-Dec-03	100.59%	0.13%
31-Dec-04	100.20%	-0.39%
31-Dec-05	98.53%	-1.67%
31-Dec-06	98.82%	0.29%
31-Dec-07	97.91%	-0.92%
31-Dec-08	86.82%	-11.33%
31-Sep-08	82.9%	-4.52%

www.hedgebay.com

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